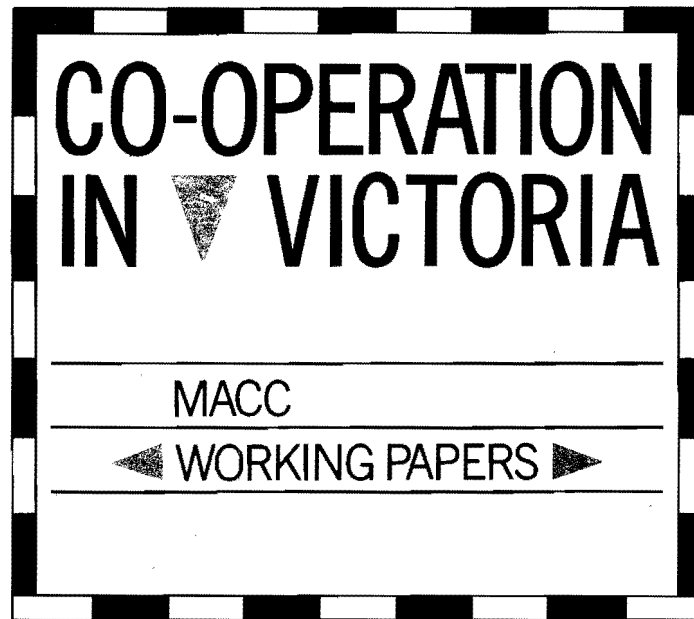


SUSTAINABLE COMMUNITY CO-OPS

INDUSTRIAL CO-OPS

PRODUCER CO-OPS



COMMUNITY SERVICE CO-OPS

CREDIT CO-OPS

PUBLISHING CO-OPS

WORKER CO-OPS

ABORIGINAL CO-OPS

CHILDCARE CO-OPS

NANNY SITTING CO-OPS

TRADING CO-OPS

MARKETING CO-OPS

FISHING CO-OPS

AGRICULTURAL CO-OPS

RENTAL HOUSING CO-OPS

MINISTERIAL ADVISORY COMMITTEE ON CO-OPERATION


FOOD CO-OPS

CO-OPERATION IN ▼ VICTORIA

MACC WORKING PAPERS

REPORTS SUBMISSIONS AND BACKGROUND MATERIAL
PREPARED IN CONSULTATION WITH THE MINISTERIAL
ADVISORY COMMITTEE ON CO-OPERATION

Melbourne
June 1985

 Ministry of Housing

MACC WANTS TO HEAR FROM YOU!



COMMENTS ON THE WORKING PAPERS

The Ministerial Advisory Committee on Co-operation would appreciate comments and responses on the Working Papers.

These should be submitted in writing to:-

The Secretary
Ministerial Advisory Committee on Co-operation
Legal and Registry Division
Ministry of Housing
Box 1670N
MELBOURNE
AUSTRALIA 3001

To ensure your response is considered, it should be forwarded by 19th July 1985.

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INTRODUCTION

INTRODUCTION

In 1984 the Honourable Ian Cathie, as Minister administering the Co-operation Act, established a Ministerial Advisory Committee on Co-operation (MACC).

Terms of Reference

MACC's basic terms of reference were generally to advise on

- . policy matters relating to the drafting of new co-operative legislation; and
- . policy development relating to the co-operative movement generally;

and in particular to :-

1. Establish the philosophy and principles embodied in co-operation and identify the essential elements of co-operative theory and ideology.
2. Examine the philosophy and principles embodied in the different forms of co-operatives currently in existence and assess their consistency with the principles established in 1.
3. Assess the relationship between co-operative theory and practice with the philosophy and principles of the labour movement.
4. Assess whether co-operatives and their development are consistent with government policy and in particular with government policy on:-
 - 4.1 maintenance and creation of jobs
 - 4.2 assisting low income groups
 - 4.3 developing the rights of workers

- 4.4 workplace democracy
- 4.5 occupational health and safety
- 5. Consider how changing economic, social and political factors have affected the philosophy and principles of co-operatives.
- 6. Formulate sets of guidelines for the practical application of the government's role in establishing and assisting:-
 - 6.1 co-operation between co-operatives
 - 6.2 industrial/economic democracy
 - 6.3 assisting low income groups
 - 6.4 protecting the rights of the co-operative worker
 - 6.5 the marriage of commercial principles and practice with social commitment.

MACC Membership

The members of MACC are:

The Hon. Barry Pullen, M.P., Chairperson

The Hon. Race Mathews, Minister for the Arts and
Minister for Police and Emergency Services
(alternate Ms. Gerry Kerlin)

The Hon. Andrew McCutcheon, M.P. Minister for Property and
Services and Minister for Water Supply
(alternate Mr. Joe Bourke)

Bill Kilpatrick, Registrar of Co-operatives

John Cullen, Acting Director of Housing

David Dinning, General Manager, Victorian Credit
Co-operative Association Limited

Tony Miller, Executive Officer, Co-operative Federation
of Victoria, Limited

Bill Rawlinson, freelance co-operator

Rob Carter, Ministerial Adviser

David Griffiths, Department of Employment and Industrial
Affairs

The Secretary is Paul Goldstone.

MACC Actions to Date

- . An Information Paper, "The Development of the Co-operative Movement in Victoria" was published and distributed in June 1984.
- . A seminar addressing the same theme was held at the Exhibition Building, Melbourne on June 23, 1984 with over five hundred co-operators in attendance.
- . At an early stage in its deliberations MACC concluded that the state of co-operative education and training should be assessed and potential new directions identified. To this end it commissioned a research project which has resulted in a report, "Democracy Through Education". Copies of the report are deposited in municipal libraries and at TAFE and CAE Colleges (ISBN 0 7241 5108 7).

A summary of the report is included in the Working Papers.

- . To promote community involvement in the co-operative review MACC established a number of consultative working parties, based on consumer, worker, producer and community service co-operatives. A further working party is to address relations between co-operatives and the Trades Hall.

The consultative working party process is described in more detail in the next section of this report and is followed by the individual working party reports.

- . In addition to the working party reports, MACC sought and received submissions from interested individual co-operators and co-operatives.

All submissions are listed in Appendix 2.

- . Submissions from a number of interested organisations are reproduced in full.

MACC and the Working Papers

The Ministerial Advisory Committee on Co-operation would like to express its thanks and appreciation to the many co-operatives and co-operators who contributed to the consultative process which has resulted in these working papers.

However, it should be clearly understood that by publishing the papers, MACC is in no way endorsing any or all of the material contained in them.

Publication has been undertaken at this point to provide an opportunity for co-operators and co-operatives in Victoria to state their views on the material which MACC has before it for consideration.

CONSULTATIVE PROCESS

THE CONSULTATIVE PROCESS

The Ministerial Advisory Committee on Co-operation established a number of working parties to review the development of the co-operative movement in Victoria and to provide input towards new directions for the co-operative sector, including proposals for new legislation.

Each working party was assigned a convenor who was also a MACC member.

The working parties and convenors are:

Consumer	Tony Miller on behalf of David Dinning
Worker - Industrial	David Griffiths
Producer - Trading - Marketing	Bill Rawlinson
Community Service	Barry Pullen
Trades Hall Council	Joe Bourke

Convenors liaised with co-operatives and co-operators in each area and a series of meetings followed.

In order to provide some common areas of discussion, the consultative process addressed three themes:

- . legislative changes
- . stimulation of co-operative development
- . government involvement in co-operative development

All Working Parties Reports use this framework.

However, there was no intention to restrict debate to these topics and many individual co-operators and working party groups raised other issues of concern.

Working Party Reports

This document contains reports from three of the five working parties, namely the Consumer Co-operative Working Party, the Worker Co-operative Working Party and the Producer Trading-Marketing Co-operative Working Party.

The Consumer and Worker Co-operative Working Parties met in Melbourne on a regular basis.

Meetings of the Producer-Marketing-Trading Working Party were decentralised in order to achieve greater involvement from the rural co-operative sector. Meetings were held at Morwell, Camperdown, Melbourne, Shepparton and Mildura.

There are no reports included at this stage from the areas of Community Services and Trades Hall.

The relationship between the co-operative movement and the trade union movement in Australia requires further examination and development. The situation is discussed in some detail in the Worker Co-operatives Working Party Report. At a recent meeting MACC foreshadowed its intention to undertake a survey involving a comparative study of critical aspects of worker involvement and working conditions in both worker co-operative models and in the trade union movement.

Such a study would provide a basis for enhanced interaction between the two movements and this will be followed up by MACC.

As regards the Community Service area, it should be noted that this co-operative sector is diverse and includes school improvement co-operatives, sport co-operatives, scout co-operatives, child care co-operatives and recreational co-operatives. Under current legislation, these types of co-operatives are grouped as Community Advancement Societies and a significant proportion of these societies tend to register under the Co-operation Act in order to obtain a Treasurer's loan guarantee.

This raises the question of the fundamental co-operativeness or otherwise of some societies.

MACC considered it impractical to consult with such a diverse group in a working party form. A survey questionnaire, based on the themes of legislative changes, stimulation of co-operative development and the role of government in co-operative development, was developed and circulated to all Community Advancement Societies and Community Settlement Societies. The results are included in the section, **OTHER SUBMISSIONS**.

Aboriginal Co-operatives

There are approximately 30 Aboriginal co-operatives registered in Victoria under the provisions of the Co-operation Act.

Representatives from 7 co-operatives met in Melbourne last November to discuss co-operation in the Aboriginal community. Attending were:

Val Heap	- Ballarat and District Aboriginal Co-operative
Gwen Atkinson	- Rumbalara Aboriginal Co-operative
Ian Dunkley	- Gippsland and East Gippsland Aboriginal Co-operative
Glenda Thorpe	- Victoria Aboriginal Child Care Agency Co-operative
Ivan Couzens	- Geelong and District Aboriginal Co-operative
Len Clarke	- Gunditjmara Aboriginal Co-operative
Jim Goff	- Victorian Aboriginal Legal Service Co-operative

A major issue discussed was the future of Aboriginal co-operatives in the context of forthcoming land rights legislation.

Future meetings are proposed in Gippsland, the Western District and Northern Victoria.

Presentations to MACC

Provision was made for each Working Party to formally present its report to MACC and to highlight and discuss particular areas of concern and this was done.

Major submissions were received from the Co-operative Federation of Victoria Limited and the Victorian Credit Co-operative Association Limited and both organisations met MACC for presentation and discussion.

It was generally agreed that these meetings were mutually beneficial.

MACC Timetable 1985

Through the consultative process, MACC is aware of the pressing need for new and appropriate co-operative legislation. The next steps are proposed as follows.

MACC TIMETABLE

1985

June	Publish and circulate Working Papers
July	Responses to Working Papers
August	Publish and circulate Final Report
September	Responses to Report Public Seminar
October	Legislative proposals approved in principle by Cabinet.
November	Bill to Cabinet Bill in Parliament

Public Seminar - September 1985

Any suggestions you have for the Seminar, either in format or content, would be most welcome.

Please write to

The Secretary
Ministerial Advisory Committee on Co-operation
Legal and Registry Division
Ministry of Housing
Box 1670 N
Melbourne. 3001.

WORKING PARTY REPORTS

CONSUMER CO-OPERATIVE WORKING PARTY REPORT

CREDIT CO-OPERATIVES

CO-OPERATIVE HOUSING SOCIETIES

FOOD CO-OPERATIVES

RENTAL HOUSING CO-OPERATIVES

PRESENTED TO:

MINISTERIAL ADVISORY COMMITTEE ON CO-OPERATION

DECEMBER 5TH, 1984

MACC CONSUMER CO-OPERATIVE WORKING PARTY REPORT

The Consumer Working Party consisted of representatives from the following co-operative areas;

- Rental housing co-operatives
- Co-operative housing societies
- Food co-operatives
- Credit co-operatives

The representatives were:

Cameron Algie, Federation of Housing Societies;
Brian McPhail, Federation of Housing Societies;
Tony Fitzgerald, Brotherhood of St. Laurence;
Jane Stokes, Food Co-operative Study Group;
Lorrie Reed, North Richmond Family Care Centre;
Jinny McGrath, CHAS Rental Housing Co-op Advice Service Ltd;
Maree Pardy, CHAS Rental Housing Co-op Advice Service Ltd;
Serge Sztrajt, Victorian Credit Co-operative Association;
Tony Miller, Victorian Credit Co-operative Association (convenor on behalf of David Dinning).

The following non-members from the Registry of Co-operatives attended:-

Maureen Hopper, Gib Wettenhall and Kerry Nolan.

The matters addressed were those that the MACC document raised and in particular the various specific questions associated with;

- 1) Legislative changes
- 2) Stimulation of co-operative development
- 3) Government involvement in co-operative development, as circulated by the Registry.

The group also addressed the question of monitoring of co-operatives using auditors (see section 5) and ideas associated with funding or financing co-operative development and financial structures, (see section 4).

A specific matter relating to the adherence to the Weights and Measures Regulations was raised by one trading co-operative.

Incidental to the primary work of the Working Party, the forum provided a valuable opportunity for people from different co-operative sectors to meet and exchange ideas. This has given a greater understanding and realisation of their common interests.

The Working Party did not fully debate certain matters, for example the definition of a co-operative. We draw the attention of MACC to the need to provide an opportunity for such debate to occur.

The co-operative housing societies strongly expressed a belief that there is no need to incorporate the Co-operative Housing Societies Act into the general Co-operation Act, as the former Act works very successfully in its present, separate form.

All members of the Working Party expressed a strong desire to see any redrafted Co-operation Act written in clear and simple English.

The body of this report contains the consensus view of the Working Party. Where there were dissenting opinions, these are highlighted.

Industry specific comments are attached as appendices.

1. LEGISLATIVE CHANGES

- 1.1 Should there be definition of a co-operative included in the Co-operation Act?

Yes, it was believed that this would then clearly identify organisations as co-operatives and assist in the development of a movement.

- 1.2 Should the legislation include the fundamental principles of co-operatives adopted by the International Co-operative Alliance?

Yes.

- 1.3 Should there be a legislative interpretation of these principles?

As co-operatives operate in many areas the relative importance of the different principles alter from co-operative to co-operative. This will make the task of drafting an interpretation difficult.

There was agreement that any interpretation needs to be circulated for comment throughout the co-op movement, prior to enactment in either the Act itself or Regulations.

Rental co-ops: Principles should be fully outlined in the Act itself, so as groups cannot get round basic co-op principles by making their own interpretations.

Food co-ops and housing societies: Interpretation should be contained within Regulations rather than the Act.

Credit co-ops: Divided on this point.

The group also addressed the question of monitoring of co-operatives using auditors (see section 5) and ideas associated with funding or financing co-operative development and financial structures, (see section 4).

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The body of this report contains the consensus view of the Working Party. Where there were dissenting opinions, these are highlighted.

Industry specific comments are attached as appendices.

- 1.4 Should the legislation allow for more than one worker to be elected to a Board of a co-operative, and if so under what circumstances?

It was felt that the Board or chosen structure for management should reflect the nature of the particular co-operative. Legislation should not restrict or limit the number of workers permissible on a Board only that they actually be members.

As a general principle to have Boards consisting of only workers was thought to be inadvisable with the exception of worker co-operatives where such a Board would represent the nature of the co-operative.

- 1.5 Should it be automatic that each co-operative is required to establish a Board, or should alternative arrangements be possible, and if so under what circumstances?

It is suggested that where appropriate, co-operatives should be allowed the option of operating via a collective management structure, rather than with a Board. This could particularly suit the smaller, type of co-operative.

Further it was thought that the size of Boards should be open-ended, with a minimum of three, but the maximum number of Board members should be negotiable with the Registrar.

Food and rental co-ops: Stressed a strong desire to have non-heirarchical structures and to develop systems that allowed for maximum participation by members. They felt that all decisions affecting the co-operative should be made by the general membership with day to day administration being carried out by administrative groups or management committees.

Credit co-ops and housing societies: Believed that sound business principles generally required there to be a Board of Directors.

- 1.6 Should the legislation allow for the possibility of increasing the power of General Meetings over directors if desired by the membership?

It was believed that members at a General Meeting should have absolute power over the directors. In an information document, the Registry, however, explicitly states that a General Meeting has only limited powers, particularly over the day to day operations of the co-operative and decisions of the directors. The Act should allow maximum flexibility for co-ops to determine their most appropriate form of control and management, including the powers of General Meetings.

- 1.7 Should there be restrictions placed on the distribution of residual assets, and if so under what circumstances?

It was believed generally that members joined co-operatives for reasons other than some future distribution of assets. Members enjoyed benefits from year to year via the use of the services/opportunities provided and not through capital gain.

Restrictions should therefore apply to distribution of assets especially where such assets may be attributable to the efforts of former non-current members or via non-trading activities e.g., inflation in the value of assets.

Residual assets should be used in other co-operative enterprises, the majority concluded. Housing societies believed, however, that residual assets should be able to return to individual members in relation to their contribution.

- 1.8 Should there be restrictions or requirements for the distribution of surplus, and if so what should these restrictions/requirements be?

Yes, restrictions should apply. First, surplus should be directed towards strengthening the capital base and financial position of the society.

Secondly, some proportion of monies should be directed into a Co-operative Development Educational Fund.

- 1.4 Should the legislation allow for more than one worker to be elected to a Board of a co-operative, and if so under what circumstances?

It was felt that the Board or chosen structure for management should reflect the nature of the particular co-operative. Legislation should not restrict or limit the number of workers permissible on a Board only that they actually be members.

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Credit co-ops and housing societies: Believed that sound business principles generally required there to be a Board of Directors.

Thirdly, some proportion to members of the society, paid in proportion to the business done with the society or contribution via value of work put into the society. In reality, the most effective way of passing back benefits to members, will not be through direct surplus distribution but by applying any surplus to the development of additional services for members. Rental and food co-ops, however, believe in collective surplus distribution to members and are opposed to individual surplus distribution.

Fourthly, some small proportion of surplus should be available for distribution to other co-operative or community purposes.

- 1.9 The Act and Regulations must be drafted in simple English and appropriately indexed.

2. STIMULATION OF CO-OPERATIVE DEVELOPMENT

- 2.1 Should co-operative development be based on co-operative philosophy and principles?

Yes

- 2.2 How is it possible to ensure that co-operative development is based on co-operative philosophy and principles?

Obviously a very difficult task. It has been stated that as co-operatives get large they "discard many of the ideals of co-operatives" and that this tendency should be addressed.

It was felt that through educational programs presented by either particular Associations and/or a Co-operative Development Agency co-operative ideals could be retained and encouraged.

"Co-operatives" not adhering to basic principles should be required to seek some other form of incorporation and suffer the loss of the tax advantages enjoyed by co-operatives.

2.3 To what extent do the different types of co-operatives have different resourcing requirements, and what is the impact of this on resourcing provisions?

All types of co-operatives have indicated that they see the need for improved educational and skill training resources. These could be developed and delivered at the Association level with appropriate linkages to T.A.F.E. or the C.A.E.'s for more formal topics. The proposed Victorian Co-operative Council should provide general co-ordination.

The level of courses, subjects required to be covered, and the range from basic through to the more complex would depend not only on type of co-operative but size and length of establishment.

Training for directors, especially volunteers, is identified as a specific area of need.

Finance, or more specifically access to adequate initial working capital and/or sources of funds, is the other major resource requirement.

Co-operatives are like any business, dependent on adequate financial support or resources. The establishment of a revolving fund for co-operative development resourcing was thought appropriate.

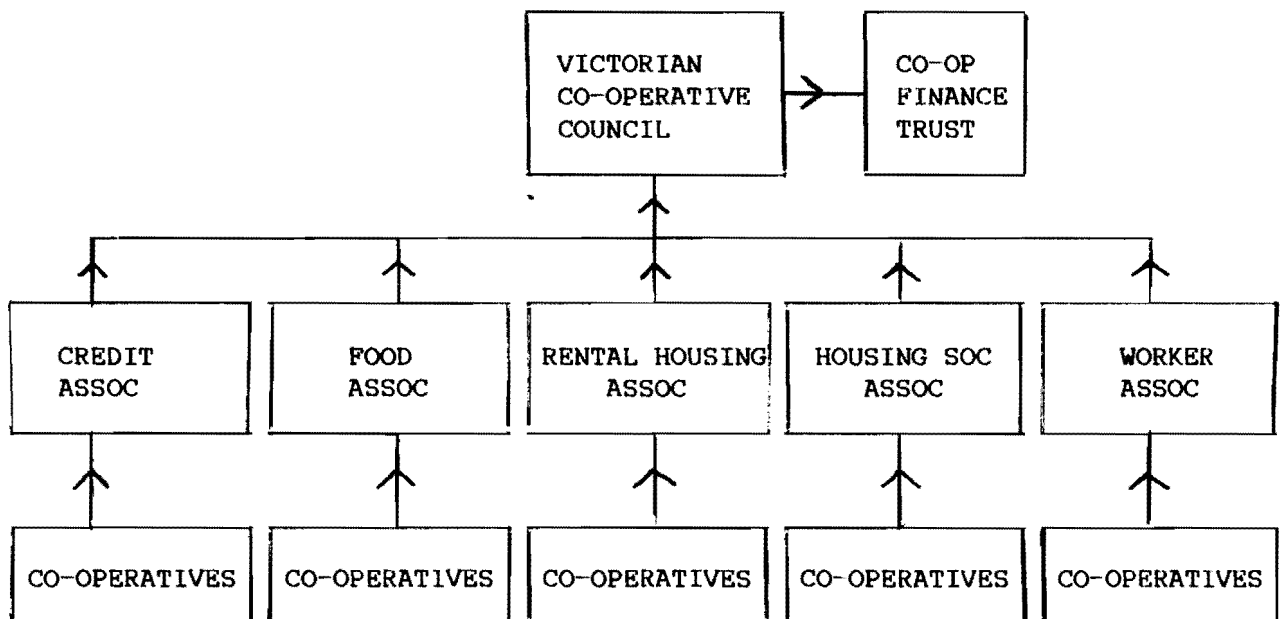
From general discussion within the group, it was also clear that the interchange and sharing of experience between the more experienced co-operatives and the "younger" entrants was of use. This raises the question that the co-operative movement may already possess the required skills and resources, but that they are not being actively marketed and managed. Improved co-operation between co-operatives might meet some of the resource requirements.

2.4 What kind of infrastructure should be established to assist the development of different types of co-operatives?

To what extent should there be common and separate resourcing? e.g., a Victorian Co-operative Council and Associations of different types of co-operatives.

It was agreed there was a need for a peak body such as the Victorian Co-operative Council. Representation should be elective via each sector's federating bodies, with any government representation being in the minority. It was believed that the federating bodies (i.e. associations) should be incorporated under the Co-operation Act and their structures reflect co-op principles. The housing societies dissented because they believed other forms of incorporation may be more beneficial.

The following structure was generally held to be appropriate in relation to trade associations required for the consumer co-op sector. Whether the overview body is called a C.D.A. or the Victorian Co-operative Council is considered irrelevant.



NOTES

1. The VCC would be the major overview body for co-operative development with particular emphasis being placed on the provision of adequate resources and development of education and training, (link to T.A.F.E. etc.)
2. The trade association level would be the link with the individual co-operatives and act as an "industry resource centre".
3. Financial and banking services could be provided for the whole movement as per section 4 of this Report.
4. The VCC would consist of representation of all associations/co-operatives and government (minority).

It was agreed that the monitoring role of the Registry be generally placed in the hands of financial auditors and that the inspections be retained for investigating complaints or when requested. It was felt that the Registry could take on more of an advisory role in the registration of co-operatives under the Act and other legislative matters.

It was believed that the Registry should not be part of the Ministry of Housing. Preferably, it should become an independent, government authority responsible to a Minister for Co-operatives.

Rental co-ops: Believed the Registry should be totally separate from the VCC with the government providing counselling, rather than this being delegated to the VCC.

Housing societies: Counselling role could be undertaken by the VCC to a large extent as it is the co-op movement, not government, which has the necessary practical knowledge.

3. GOVERNMENT INVOLVEMENT IN CO-OPERATIVE DEVELOPMENT

3.1 Should the government directly or indirectly fund co-operatives?

Fee for service

It was generally agreed that co-operatives were established to become viable business enterprises. Co-operatives which served a social or community service would rightly expect this to be recognised and to receive income (on a fee for service base) to cover the costs incurred. In such cases government would effectively be a customer of the co-operative employing the co-operative to undertake a particular task, which it may otherwise provide on a more direct basis.

Government funding

It was recognised that to establish and develop a co-operative required, like any other business, initial resourcing and capital.

The unique nature and position of co-operatives has to be recognised, particularly the nature of their capital base, membership equity and the traditional reluctance of financial institutions to lend to co-operatives.

A case could be developed for limited grants to be available for initial co-operative enterprise plans to be developed, as without such start up grants some interest groups/projects might never get off the ground.

Pre-co-operatives

These are groups of people who have indicated an interest in becoming co-operatives, and as such, they are in need of specific assistance. Unincorporated welfare/community groups which operate as co-operatives should have access to technical and educational facilities available to their co-op sector, even though in the short term they may not be economically viable.

Skills development

A grant scheme to assist in developing skills would be beneficial - this would cover the costs of replacing key individuals while they undertake a specific course of training. The lack of specific skills is one of the factors that inhibits co-operatives developing. The scheme run by the Small Business Development Corporation in this area should be noted.

Revolving fund

To address the problem of the reluctance of financial institutions lending to co-operatives, it is suggested that a revolving fund should be established, either for each co-operative sector or for the movement as a whole. The prime purpose of the fund would be to ensure co-operatives have adequate access to working capital and fixed asset finance.

It is realised that the availability and accessibility of such a fund to small co-operatives depends on the policies adopted. All co-operatives need to be guaranteed appropriate access.

Secondary co-operatives

Some funding of associations (i.e. secondary co-operatives) is required as they are needed to stimulate and service the developing co-operatives. Short term or specific purpose funding is thought appropriate as co-operatives resourced by associations are expected to pay fee for service.

Current requirements

The reluctance of traditional financial institutions and the lack of a specific purpose revolving fund is such that there is a need for government to facilitate the availability of funds. Further, co-operatives during their establishment stage require funds for working capital and fixed asset purposes.

3.2 What should be the basis for direct or indirect government funding of co-operatives?

Direct funding should be on the basis of establishing viable business ventures offering opportunities for employment and/or to satisfy an area of need.

Indirect spending should be for such things as education and skills development; the provision of specialist skills or resources; and in general promotion of the co-operative ideals and opportunities available.

3.3 Should the government provide funding for co-operative infrastructure support?

Yes, as outlined above. It is probably one area where for the next few years much could be gained from government funds.

3.4 To what extent should financial and technical support be based on co-operatives meeting government policies and priorities?

When involved with the direct provision of resources, governments will always be influenced by such factors.

To ensure that co-operatives are to an extent isolated from politics and priorities, it has been suggested that the allocation of resources to specific co-operatives should be external to government.

As part of the Budget process, government should decide that it will support co-operatives either as a movement or on an industry basis to a certain level. These funds should then flow into the proposed revolving fund to be allocated via the VCC to specific end purposes.

To illustrate this, government might determine that it wished to establish 200 units of co-operatively owned housing which would translate to \$14 million; or that they wished to see 100 jobs created within worker co-operatives at an estimated cost of say \$1 million. A more specific allocation of funds should not be the role of government.

Future government commitment would then be based on the success of the co-operative movement being able to meet these objectives on an overall basis. Co-op sectors would still need to request government funds be earmarked for their particular sector, rather than passing over this function to the VCC.

3.5 What should be the link between funding bodies of co-operatives and the Legal and Registry Division of the Ministry of Housing?

The link should be one of distance with the role of government departments being only to see that funds allocated to a specific purpose actually are applied to that purpose. They need not get involved in the allocation of funds to particular co-operatives.

The link should not really be based on a question of funding but rather on common purpose, in that both the Registry and the funding bodies are interested in co-operative development and each would bring their resources to bear to that end effect.

As already mentioned, it was felt that the Registry, in addition to its inspectorate role should also provide counselling assistance to formative and newly-established co-operatives regarding legislative requirements.

4. FINANCE AND BANKING FACILITIES

The Working Party believes that the question of finance and banking facilities for the co-operative movement is one of the most important aspects facing this government review. Co-operatives to flourish require access to appropriate sources of finance.

One basic premise stands clear. If a co-operative central banking facility is to be successful, it must gain the support of all cooperatives, both large trading and small community.

In a deregulated financial economy, co-operatives find themselves competing for finance and a deposit base in an environment where there are likely to be increasing rates of interest caused by this competition. If co-operatives were obtaining funds at market interest rates by competing for deposits with other institutions such as banks and building societies, the cost of that finance could only be reduced by some form of government intervention, by, for instance, tax concessions to co-operatives because of their greater community benefit. This would, however, fall outside both Federal and State Government objectives for a deregulated financial economy.

The Working Party is of the belief that any central banking facilities for co-operatives must be so structured as to be both politically and economically powerful in order to influence both government and financial institutions to attract funds to the co-operative movement.

In short, the Working Party believes that individual co-operatives are not economically powerful enough to raise funds for their own objectives but a central authority could do this. However, such a central authority must have the full representation of all co-operatives and not be dominated by a particular group.

The majority on this Working Party does not, however, necessarily believe that the Victorian Credit Co-operatives Association should be the vehicle to provide banking facilities for the co-operative movement as recommended to the Financial Institutions Review by the VCCA.

While the Working Party recognises that credit unions have put this proposition forward to improve their own position in the highly competitive financial market, and that it is made with good intentions for the benefit of other co-operatives, the majority believes that the diverse activities of all co-operatives may not be fully serviced by such a facility stemming from one particular group of co-operatives.

The Working Party believes that the credit co-operatives' deposit base in itself is insufficient to provide funding for the co-operative industry, even if all the credit accounts of all co-operatives were lodged through this central facility. Co-operatives currently have to draw upon the funds coming from other financial institutions, such as banks and will continue to do so in the future. To draw funds from these other institutions requires considerable economic influence. These funds will not be attractive merely for social policy reasons.

The majority on the Working Party is also concerned about the costs of the credit unions' own deposit base funds which it achieves in competition with the other financial institutions. Clearly if all the deposits of co-operatives were to be lodged through the banking facilities provided by the credit unions, serious questions are raised as to who is to control and direct the allocation of these funds to other co-operatives.

Such direction and control would need to be given by an independent, preferably statutory, body which lies outside the credit unions and is formed by the representatives of all other co-operatives. It would need the power to increase the catchment area of funds for co-operatives - for example, through the issuing of bonds.

There is some danger, however, that the power of co-operatives such as trading and housing co-operatives to raise bank funds by offering the banks in turn reciprocal business could be jeopardised if all their banking resources were channelled through a central body - unless that central body had sufficient government support and economic influence to raise funds on behalf of all co-operatives from other financial institutions.

RECOMMENDATIONS

The Working Party believes that due to the diverse nature of co-operatives, their relationship to existing financial institutions for their credit facilities and the need for co-operatives to raise further funds above their existing deposit base to meet their objectives, it is necessary for the co-operative movement to have a central financing facility. This should be a broadly based, centralised institution or statutory body which has the capacity to represent all co-operatives and is sufficiently politically and economically powerful to raise finance from both the government and institutional sectors over and above those funds flowing from its own deposit and investment base.

The Working Party further believes that a central financial authority for co-operatives will only be successful if it is fully independent, represented by all forms of co-operatives and has the full support and use of all co-operatives including the very powerful trading co-operatives.

Accordingly, the Working Party recommends the following:-

- 4.1 That the long term objective of a centralised co-operative bank be supported.
- 4.2 That as the first phase in the development of central financing facilities for co-operatives, a Co-operative Trust be established with broad statutory authority, and sufficient political and economic power, to raise and administer funds on behalf of all co-operatives from other financial institutions, government and the community generally (i.e. bond issues and deposit taking). Such a Trust would create a source of funds which would then be available to co-operatives. The Trust could also administer government allocations of funds to the different co-operative sectors, while paying particular regard to its effect on particular co-operative sectors' ability to raise finance for their objectives.

- 4.3 That a central financing authority, Co-operative Trust be established with representatives from all co-operatives so that the full support of all co-operatives can be obtained, and the interests of one particular sector of the co-operative movement will not be disadvantaged.
- 4.4 That the recommendations of the Victorian Credit Co-operatives Association that the VCCA and member credit co-operatives develop banking facilities for the co-operative movement in general not be followed until a full and detailed study is made of first, the effects of such a move on other co-operatives; second, the capacity of credit unions to provide physical banking resources; and third, their ability to provide a sufficient funding and resource base for the full development of all forms of co-operatives in Victoria.
- 4.5 That government immediately initiate research into the establishment of a Co-operative Trust ensuring full consultation with the co-operative movement in the development of the proposal.

5. MONITORING OF CO-OPERATIVES

It was felt that much of the routine inspectorate function could be undertaken by auditors, with most of the Registry's inspectorate taking on a more skilled, counselling role.

A small team of inspectors would need to be retained as monitors/advisors where there were complaints or co-operatives ran into problems.

Specific points raised in discussion were:

- 5.1 Detailed, specialist servicing could be provided by outside consultants on a fee for service basis e.g. setting up administrative systems. Registry would provide advice at formation and with legislative interpretation. Concern was raised about the cost to co-ops of auditors and specialist servicing, particularly those without access to government funding and the smaller co-operatives.

5.2 Registry inspectors take on the role of their Spanish equivalents and have a "shepherding" function with new co-ops whereby an inspector would be assigned to monitor and help for a two year period.

5.3 The role of inspectors should be defined in the Co-operation Act.

5.4 If auditors given a wider role, they and the co-ops should have a standard checklist of issues which need to be addressed to ensure compliance with legislative requirements.

It was agreed that the Victorian Co-operatives Council (VCC) could produce the checklist and that the Act need only specify that checklists were to be issued by the VCC from time to time. In drawing up the checklists there would need to be general agreement between the accounting bodies, the co-ops and the Registry.

5.5 It was suggested that to simplify meeting legislative requirements, standard return forms be drafted for each co-operative sector.

5.6 As a further protection for investors, co-op directors could be required to declare in their annual report that their co-operative is able to meet all outstanding debts. This is a recent innovation in relation to companies.

6. EXEMPTION FROM LEGISLATION

A particular food co-operative, Bendigo Trading Co-operative Ltd, requested the Working Party to consider recommending the exemption of food co-operatives from Weights and Measures legislation applying to pre-packaged food.

6.1 The Working Party was unable to agree that an exemption was appropriate for Bendigo Trading, in particular, on the grounds that it dealt both with the general public as well as members. It was thought that co-operatives should be required to operate within established legislation designed to protect the general public, where those co-operatives themselves dealt with the general public.

6.2 As a general principle, it was agreed that rather than co-op sectors applying for exemption from legislation, government departments should consult with the co-operative movement when drafting legislation.

It was generally considered that membership of a co-operative should not place individuals in a less favourable position. Nor should co-operatives seek to have powers in excess of those enjoyed by others. Some consideration was, however, required to be given in the drafting of legislation taking into account the nature and purpose of co-operatives.

Where exemptions were identified as necessary, the scope of the exemption would need to be defined clearly, particularly in the Co-operation Act.

Worker Co-operatives

An Interim Report To The Ministerial Advisory Committee On Co-operation From The Worker Co-operatives Working Party

February 1985

"We, the producers of all real wealth, have been, and now are, held in dis-esteem; while the unproductive, useless and injurious members of society, riot to their own hurt in riches, and are trained to consider us their servants and slaves. By these ignorant and unnatural proceedings, the Earth and his own nature have been made the perpetual source of evil instead of good to men."

Robert Owen (1)

"The results of our review of the various difficulties of Socialism has led us to the conclusion that the various schemes for managing the productive resources of the country by public instead of private agency have a case for a trial, and some of them may eventually establish their claims to preference over the existing order of things, but that they are at present workable only by the elite of mankind, and have yet to prove their power of training mankind at large to the state of improvements to which they presuppose."

John Stuart Mill (2)

"We speak of the co-operative movement, especially the co-operative factories raised by the unassisted efforts of a few bold 'hands'. The value of these great social experiments cannot be over-rated. By deed, instead of by argument, they have shown that production on a larger scale, and in accord with the behests of modern science may be carried on without the existence of a class of masters employing a class of hands; that to bear fruit, the means of labour need not be monopolized as a means of dominion over, and of extortion against, the labouring man himself; and that, like slave labour, like serf labour, hired labour is but a transitory and inferior form, destined to disappear before associated labour plying its toil with a willing hand, a ready mind, and a joyous heart."

Manifesto of the Working Men's International Association, 1866

"If we consider the recent rapid growth of the co-operative movement, we learn that the economics of co-operatives is founded on the consciousness of social solidarity. And co-operative types of production, distribution, and consumption grow out of this fundamental social principle. Therefore the development of co-operative economics has the power actually to spiritualize once again this machine civilization."

T. Kagawa, 'Brotherhood Economics'

WORKING PARTY ON WORKER CO-OPERATIVES

MEMBERSHIP:

1. Registered Co-operatives

Danny Vadasz
Glenda Ballantyne

Oenone Serle

Bob Cayzer
Jonathan Goodfield
Cathy Matton

Gay Publication Co-operative Limited
Sybylla Co-operative Press and Publications
Limited

Brunswick Italo-Australian Employment Co-
operative Limited

Glass Glow Industrial Co-operative Limited
Chain Reaction
Backyard Press

2. Non-Registered Co-operatives

Jane Schuppner
Libby Stewart
Paul Martin

G.P. Transport
EMPLOY
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NON-MEMBERS:

David Griffiths	Convenor Co-operative Development Programme Ministry of Employment and Training
Monica Fawcett	Co-operative Development Programme Ministry of Employment and Training
Leigh Holloway	Co-operative Development Programme Ministry of Employment and Training
Serge Sztrajt	Victorian Credit Co-operative Association
Gib Wettenhall	Legal and Registry Division Ministry of Housing
Jim Asker	Co-operative Development Programmes Co- operatives Ministerial Advisory Committee Project Brunswick Italo-Australian Employment Co-operative

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NOTES

1.0 INTRODUCTION

At the Co-operation Conference held on the 23rd of June, 1984, the Ministerial Advisory Committee on Co-operation announced the establishment of a number of working parties to examine various areas of co-operation. These working parties covered producer and marketing co-operatives, consumer co-operatives, community co-operatives and worker co-operatives.

Following this, the Worker Co-operative Working Party was inaugurated on the 5th of July, 1984 (3).

It was resolved that the Working Party would consist of one representative of each worker co-operative or intending worker co-operative in Victoria. A worker co-operative was defined as a co-operative where a majority of members are full-time, part-time or casual employees of the society or which has a principle object acquiring a majority of members as employees, and whose Board of Directors consisted of a majority of employees.

The Working Party was also open to participation of persons in the following categories:

- i) officers of the Co-operative Development Programme of Ministry of Employment and Training;
- ii) a representative of the Victorian Credit Co-operative Association;
- iii) other members of worker co-operatives;
- iv) other persons invited from time to time by the Working Party.

It adopted as its terms of reference a series of questions which are appended and which are addressed in the report. These cover the areas of legislation, co-operative development and Government policy towards co-operatives.

A number of other documents were also considered by the Working Party. They were:

- What is a Worker Co-operative?
- Possible Model Rules for Worker Co-operatives.
- Common Equity Rental Housing Co-operatives-- A Third Housing Tenure.
- Appropriate Co-operative Development.
- Worker Co-operatives and Trade Unions.
- Co-operative Education Questionnaire.
- Co-operative Federation of Victoria's submission to the Ministerial Advisory Committee on Co-operatives.
- Worker Co-operatives in N.S.W. and Victoria: A Policy Review.
- Responses to 'Worker Co-operatives in N.S.W. and Victoria.'

A workshop on worker co-operatives by the Working Party in conjunction with the '**The Co-operator**' magazine was organized to raise worker co-operative issues with as many members of the worker co-operative as possible, as well as other interested people. The papers presented at this workshop were:

Government Support for Worker Co-operatives

Worker Co-operatives Are Different
Worker Co-operative Philosophy and Principles
Industrial Democracy
Overseas Models
Equity
Trade Unions and Worker Co-operatives
Occupational Health and Safety
for Worker Co-operatives
Worker Co-operative Model Rules
Education
Business
Financing

The Hon. Jim Simmonds,
Minister for Employment
and Training
David Griffiths
Jim Asker
Kim Windsor
Danny Vadasz
Leigh Holloway
Sara Charlesworth
Trevor Fleming

Serge Sztrajt
Tom Malcolm
Ivan Katz
Tony Miller

The papers have been published in **The Co-operator**.

This report expresses the present state of discussion among members of the Worker Co-operative Working Party. It will provide a critical catalyst for continuing discussion by the Working Party and its worker co-operative membership on the structure and function of worker co-operatives informed by new knowledge and experience resulting from practice.

In its deliberations, the Working Party has recognized that the development of worker co-operatives in Victoria is embryonic and that the development of a viable worker co-operative sector depends on increasing conceptual, organizational and economic maturity.

The Working Party, therefore, recognizes the value of other experiences of worker co-operative development. The experience of the Ministry of Employment and Training's Co-operative Development Programme has been reinforced by the New South Wales Government's Common Ownership programme - in particular the extended experience with conversion co-operatives.

The Working Party is concerned however with the tendency by some in the co-operative movement to envisage that worker co-operatives in Victoria should emulate the experiences, policies and practices of worker co-operatives in Mondragon, Spain. Worker co-operative development is subject to specific cultural, economic and political contexts and should be based on these rather than on imported assumptions. None the less, the Mondragon experience is beneficial. But the experience of worker co-operatives in France and Italy is even more relevant and beneficial because the co-operatives have been developed in relatively open capitalist economies with State assistance. The development of worker co-operatives in Victoria, then, depends on their own developmental needs - learning from but not emulating overseas experiences.

The three areas considered cover the essential relationships between the State and the co-operation movement and its constituent co-operatives. They are:

- i) the legislative framework according to which co-operatives function;
- ii) the ways in which the State can assist the efficacy and development of the co-operative movement;
- iii) the ways in which the co-operative movement may contribute toward State policy in other areas, for instance in economic development, in employment policy and in social policy.

The interest of the State in co-operative development has been both generated from the co-operative movement and from the argument that facilitating the development of co-operation is a democratic counter to increasing market concentration and monopoly which has accompanied economic growth.

2.0 LEGAL REGULATION OF CO-OPERATIVES

One role of the State in relation to co-operatives is to provide the legal framework within which and according to which co-operatives, indeed all forms of business enterprise, operate.

The requirement of the co-operatives in this regard is the provision of legislation which enables co-operatives to function in accordance with co-operative philosophy and principles and without undue impediment.

The reform of present legislation is necessary because it does not consistently conform to co-operative principles and provides significant impediments to the efficient functioning of co-operatives. There is a particular need for legislation which adequately provides new types of co-operative which have been established in Victoria over the last decade.

The Working Party recommends that the legislation should be drafted in plain English to facilitate a general understanding of co-operatives. One need only compare the Victorian Act with the Co-operatives Act, Quebec, Canada, to see the failing of the former in this regard. Two comparable pieces in the two acts are set out below:

1. Quebec Act:

Article 26.

A co-operative has the full enjoyment of civil rights for the attainment of its objectives.

Victorian Act:

Clause 68.

A society shall be a body corporate by the name under which it is registered, with perpetual succession and a common seal, and shall have power to enter into contracts, to institute and defend actions suits and legal proceedings, and to do all things necessary for the purpose of its constitution.

2. Quebec Act:

Article 15.

The corporate name of a co-operative must not be liable to confusion with another corporate name or a firm name.

Victorian Act:

Clause 55 (1)

A society may not be registered by a name identical with that by which a society is already registered, or so nearly resembling that name or the name of any subsisting company or society registered under any other Act as in the opinion of the registrar to be calculated to deceive or except with the consent of the registrar is undesirable or is a name of a kind that the Minister has directed the registrar not to accept for registration.

2.1 Definition of a Co-operative: Should there be a definition of co-operative included in the Co-operative Act?

The Working Party considers that any Co-operative legislation should contain a definition of co-operatives which recognizes them as a particular sector of the economy; the co-operative sector is distinctive in form from both the private sector and the public sector. Such a definition should be based on mutuality, democracy and autonomy of co-operatives and the co-operative movement. However, any definition must also recognize that within the co-operative movement there are different 'sectors', different types of co-operatives which differ in function and economic activity and therefore have differing organizational needs.

Worker Co-operatives from the beginnings of the movement, have developed within their own particular forms of organization and particular principles based on an underlying philosophy of seeking to maximize co-operative workers' power, control and autonomy within their enterprise.

The French 'Confédération générale des Sociétés coopératives ouvrières de production' (General Confederation of Worker Co-operative Productive Societies - S.C.O.P.), has made a fundamental definition of worker co-operatives in France which could serve as a model for Victorian legislation. The Confederation defines a worker co-operative as "a free collective enterprise of associated workers:

- a free enterprise, that is to say an economic unit, functioning in the market place and subject to its laws, created and managed freely by its members and providing itself with the means (organization, finances, access to the necessary skills) to obtain the productivity, efficiency and turnover without which it would disappear - and not an improvised collection of a few individuals pursuing chimeric or contradictory objectives.
- a collective enterprise, that is to say founded on the idea that the property, the management, the 'promotion' are collective, exercised in common and benefiting all the members - and not simply some of them.
- an enterprise of associated workers, which means formed by the workers of all categories or professions, joined together to exercise their professions and to ensure in common the responsibilities of management - and not an ordinary company where owners, managers and employees form distinct categories, having different, even opposed interests."

A worker co-operative, as "an association of workers owning and directing an enterprise in common", must consent to having a form which conforms to the following conditions:

- a dual quality: the co-operative has as members its workers and as workers its members;
- democratic management: the managers are elected by the managed and exercise the necessary powers under their control;
- distribution of surplus: after payment of dues to the State and allowing for reinvestment, surplus must be distributed in accordance with the wishes of the workers.
- collective ownership of the instrument of production: the sums held in reserve are at the same time the symbol and the means of the ownership of the means of production. They cannot be distributed amongst the members and the workers of the co-operative. Their accumulation assures not only financing, but also its endurance, that each generation of workers may pass on to the succeeding generation an enriched and strengthened instrument of production.

The first article of the French Worker Co-operative Act (Loi No. 78-763) defines:

"Worker co-operative productive societies are formed by workers of all categories and professional formations, associated in order to exercise their professions in common in an enterprise which they manage either directly or through delegates appointed by them from amongst their number.

Worker co-operative productive societies can undertake any professional activity without any restriction save that of law.

The members associate and choose themselves freely. They have equal powers unaffected by the capital contributed by each of them."

2.2 The Fundamental Principles of Co-operation: Should the legislation include the fundamental principle of co-operation adopted by the International Co-operative Alliance?

The Working party recommends that the International Principles of Co-operation should be incorporated into co-operative legislation, if their interpretation allows the efficient functioning of co-operatives in the co-operative sectors. Different sectors will require somewhat differing interpretations to enable them to function adequately.

The Working Party has set out below particular interpretations of the International Principles which will be necessary to allow for the proper formation and operation of worker co-operatives. The Working Party is concerned, however, with the continuing appropriateness of the co-operative principles adopted by the International Co-operative Alliance in 1966. It is noted that the principles have been subjected to different formulations and the wording adopted in 1966 is different from the wording adopted in 1937.

In his seminal report, 'Co-operatives in the Year 2000', Laidlaw (4) suggested that there were two major criticisms of the existing formulation:

- i) they have tried to raise current practice to the level of principle instead of identifying principle itself; and
- ii) they seem to be chiefly based on consumers' co-operatives and do not apply as well to other types, for example, agricultural, worker and housing co-operatives.

2.3 Legislative Interpretation of the Principles: Should there be legislative interpretation of the International Principles?

Between and even within the co-operative sectors there are different interpretations placed on the principles. These are often the necessary results of their different activities and organizational needs. The Working Party agrees with the Food and Credit co-operatives, that an overall legislative interpretation could be restrictive and therefore, restrict the character and development of co-operatives. However, particular provisions and interpretations may be needed to ensure the efficient and equitable operation of co-operatives or co-operative sectors.

The International Principles are outlined below with explanations as to how worker co-operatives interpret them to best serve their structural and organizational needs. Any legislative interpretation which excludes them will be prejudicial to the development of the worker co-operative sector.

International Principles of Co-operation

1. Open Membership:

"Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination to all persons who make use of its services and are willing to accept the responsibilities of membership."

Worker co-operatives support the concept of open membership, but as outlined above this is within the context of worker co-operative principle of a dual quality: "the member of the co-operative must be its employees, the employees of the co-operative must be its members, one cannot enter into or resign from one without the other", (C.G.S.O.P.).

In many cases, as with all co-operatives, worker co-operative objects may include non-economic social aims, such as the promotion of the rights of a social group perceived to suffer discrimination in this society, for example Aborigines or women. Such objects are acceptable and they should not be interpreted as "artificial restriction or social, political, racial or religious discrimination".

2. Democratic Control:

"Co-operative societies are democratic organizations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form."

The Working Party believes that democratic control should include the right of members to elect themselves as a body to administer the affairs of a society. It confirms the concept of one person, one vote. A co-operative is a union of persons and not of capital; a person is not a member because s/he owns shares but because s/he has been admitted/employed by the other members.

In the case of other than primary societies, taking into account the principle of one person, one vote, and Australian democratic traditions, voting rights

for members should be based on the principle of one member, one vote - that is one society, one vote. In no circumstances should voting rights be based on the capital or turnover of a co-operative, nor should any representative control more than one (or any proxy) vote.

3. Limited Interest on Share Capital:

"Share capital being service capital should only receive a strictly limited rate of interest, if any."

The Working Party considers that the present Co-operation Act substantially violates this principle and allows for a higher rate of dividend than any large Australian company would issue to its shareholders. However, it also has to be recognized that a co-operative member who has placed money in the society should not perhaps see it lose value owing to the ravages of inflation.

The intent of this principle is to limit the role of capital and prevent it from infringing on the rights of members. Thus, it has to be seen contextually together with the principle on the equitable distribution of surplus. Consequently, the Working Party recommends that any interest on share capital for any year should be no greater than the CPI increase for that period.

This principle in no way obliges co-operatives to have a share structure, it merely aims to limit interest (hence share speculation) where a share structure exists. The Working Party recommends that provision should be introduced for the establishment of common equity co-operatives. This is a common form in many countries; worker co-operatives in Italy have a common equity structure.

4. Equitable Distribution of Surplus:

"The economic results arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by decision of the members as follows: (a) by provision for development of the business of the co-operative, (b) by provision of common services, or (c) by distribution among the members in proportion to their transactions with the co-operative."

The Working Party believes it is clear in this principle that any surplus made by a co-operative is the collective property of the society and that any distribution should be in accordance with points (a), (b) and (c) as a descending order of priorities.

The control of the surplus and decisions as to how it is distributed, including deciding to allocate it to reserve funds, should lie with the membership at a general meeting. Any notion that members must necessarily decide to distribute it amongst themselves is clearly mistaken.

5. Co-operative Education:

"All co-operative societies should make provision for the education of their members, officers and employees and of the general public, in the principles and techniques of co-operation, both economic and democratic."

While the Working Party is strongly in agreement with this principle, it recognizes: (a) that the main thrust of education provision for co-operatives must be carried out through their associations and, (b) that the worker co-operatives,

and probably other sectors, lack the resources themselves to solely undertake this provision, individually or collectively, and must rely on the support of the State for this. Legislation must take this into account.

6. Co-operation between co-operatives:

"All co-operative organizations, in order to best serve the interest of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national and international levels."

The Working Party believes this is an important and desirable object. Legislation should facilitate the formation of associations of co-operatives in the same sector and the establishment of associations of co-operatives in the same industry to serve the co-operatives in that industry.

2.4 Membership of Worker Co-operatives

The Working Party recognizes the dual quality of worker co-operatives. It believes that all full and part-time workers should be members of worker co-operatives. Legislation should provide that, subject to a probationary period, all employees of a worker co-operative become members.

The experience of the 12 sugar co-operatives in Peru illustrates the problem of continuing the practice of non-member-workers in a worker co-operative. The co-operatives were established in June 1969, when the sugar haciendas were expropriated by the Military Government. Since 1969, the number of worker members has decreased and the number of non-member workers has increased. The simple explanation for this is that members receive more in direct wages and benefits such as food rations and housing than non-members. New members would have to be paid four times what they are paid as non-members.

The worker-owned scavenger companies in San Francisco, U.S.A., further illustrate the problem of worker-members and non-member-workers (the companies were established in the 1920's). While the companies have always used hired labourers, the proportion of non-owners to owners has been low and the non-owners have been commonly referred to as helpers, apprentices and novices. By the 1970's however, with increasing capitalization requirements and expansion, the opportunity for bigger profit and capital gains was persuading the owners to retain their ownership. In 1977 hired labour reported mean job incomes of \$15,000 versus \$22,000 for owners.

These situations would threaten the particular dual quality of worker co-operatives and, unless that situation is prevented, they may arise here. However, the Working Party recommends that there also be provision for two limited exceptions to the above recommendation. They are, a period of probationary membership and a non-voting class of auxiliary or honorary members.

Probationary Period

The argument for probationary periods is that co-operative membership should be seen as a long-term commitment with rights and responsibilities and it is inappropriate to admit members who do not understand these and have not had the opportunity to develop an appropriate understanding or acceptance of co-operative philosophy and principles. An uninformed membership will create unproductive conflict within a co-operative.

The Quebec Co-operation Act states: "A co-operative must require every person accepted as a member to undergo a trial period of not over one year and a course in technical and co-operative training; during the trial period, the person is an auxiliary member...(5). The co-operative may hire a person who is not a member to do casual work of short duration."

The argument against probationary periods is it depends on the requirements of individual co-operatives that a process of co-operative education could develop the necessary understanding and acceptance of co-operative philosophy and principles. Members can choose to resign from a co-operative.

The Working Party recommends that a probationary period be provided for, but that it be a maximum of six months after which the worker must become a member. Individual co-operatives may, in accordance with their own rules, have a lesser period or have no provision for probation at all.

Non-worker Members:

The Working Party considers that non-workers not be allowed full-membership, but that a class of auxiliary or honorary members be provided for. This class of membership would be non-voting and non-shareholding.

Many co-operatives particularly the smaller ones have a base larger than the workers - of people who share the objects of the co-operative but who do not directly profit by it. This base often provides the co-operative with a stability and continuity which it would not otherwise enjoy. This base may consist of families of workers, workers who had retired or left, and others who can contribute advice and expertise not available amongst the workers. The most appropriate means of allowing these persons to have a formal link with the co-operative without threatening their dual quality and prerogatives of workers, would be the provision for such a class of membership.

It is noted that Canadian and Italian legislation makes this sort of provision.

2.5 Worker Membership of Co-operative Boards: Should the legislation allow for more than one worker to be elected to the board of a co-operative and, if so, under what circumstances?

The 1981 Co-operation Act introduced a limit of one employee of a co-operative as the maximum number permitted to be elected as a director of a society. This limitation was introduced largely to protect the interests of members in societies where the membership is large and does not play an active role in the management, and in the case of credit societies, the arguments for limiting the number of employee directors may indeed be cogent. It is generally admitted, however, that the clause, was ill-considered and were it closely observed, the creation of worker self-managed societies would be impossible.

The Working Party considers that there should be no restriction on the number of worker directors within the Act. This is particularly important in regard to the rights of members as outlined in the international principles. In Australia, the right to vote normally involves the right to stand for office.

The issue is in fact about a possible conflict of interest that may arise where the majority of the directors of a society are also employees. However, whether a conflict of interest arises is related to the composition of the general membership of and the objects of individual societies. In a worker co-operative, for example, it may be justifiably argued that the interests of the membership cannot be adequately protected unless a majority of directors are employees. A worker co-operative with a minority of worker directors would cease to be a worker co-operative.

It is noted, that the credit co-operatives have suggested that each co-operative write its own rules on worker directors and that food co-operatives have suggested increasing the size of Boards to allow wider representation of workers, up to 25% of directors. It is also noted that the Rental Housing Co-operative Advice Service Limited, has suggested that employees of co-operatives should be eligible for membership status within the co-operative and be involved in the general decision-making process.

However, neither suggestion adequately resolves the issue. As pointed out since the question of possible conflict of interest is directly related to the membership of and objects of particular societies, the number of worker directors should be left up to the societies to include in their rules. In no circumstances however, should the right of members to be elected as directors be limited except where clear conflict of interest can be established.

- 2.6 Management of Co-operatives: Should it be automatic that each co-operative is required to establish a Board of Directors or should alternative arrangements be possible and, if so, under what circumstances, and should the legislation allow for the possibility of increasing the power of general meetings over directors if desired by the membership?

The Working Party considers that the Co-operation Act should maximize flexibility in the democratic organization of co-operative workplaces as determined by individual co-operatives' rules and co-operative sectors. Consequently, it makes the following recommendations on the question of the Board of Directors of a society.

Firstly, it should not be mandatory for small co-operatives to establish a Board of Directors, the business of the society being managed by general meetings of members. In this case the current legal responsibilities of directors would be the responsibilities of the membership as a whole. Compulsory provision for a Board runs counter to the co-operative principle of democratic control by members and their right to "participation in the decisions affecting their societies". This should include a right to determine the organizational structure - to determine where direct participation by members and where administration through representatives is the most suitable form. The appropriate participatory and representative mix should be left to members to determine in their rules. The Working Party rejects any suggestion that participatory systems of decision-making are inherently inefficient and ineffective.

It is noted that the Co-operatives Act of Quebec, Canada, provides for co-operatives with fewer than 25 members to not to have to appoint a Board of Directors. The Working Party has also noted that there is a complementary interest by food co-operatives in developing and formalizing processes of democratic control and the Rental Housing Co-operative Advice Service is committed to the collective, rather than the hierarchical, control of co-operatives and its potential for participation.

In a recent speech to the Commercial Law Association, the Attorney-General, the Hon. J. Kennan, foreshadowed the creation of a new type of company for small business which would abolish the director/shareholder distinction (6).

The issues of effective democratic control and the participation of members is intimately linked to the size of the co-operative, both in terms of membership and the geographic spread of the activities of the society and its membership. In the case of large co-operatives it may be argued that the membership can only maintain adequate democratic control through a representative system. The Mondragon co-operatives have been cited as exemplifying the need to have a Board of Directors, but it should be pointed out the membership of these is large rather than small. Indeed once a co-operative exceeds 25 members then some form of representative decision-making becomes inevitable. But it is clear that it is not possible to generalize with regard to smaller co-operatives.

EMPLOY Co-operative believes that individual co-operatives should be allowed to determine whether or not there is a board of directors and whether or not there is direct participation by members.

It is also noted that the mode of participation by the members of a society is also affected by the nature of the work of the co-operative, its objects and the beliefs of the members as to what sort of organization best suits them.

Secondly, as with private and public companies, and public sector enterprises, there should be no legal restriction on the number of directors that a society may elect from its membership; societies should be free to determine this in their rules.

Finally, the degree of control that the membership can exercise over a Board of Directors should be supported by legislation. The power exercised by general meetings of members should be determined by individual societies through their rules. Similarly the right of the membership to recall directors should be allowed for in legislation, but should be determined in the rules of a society.

Societies should have the right to determine:

- i) whether resolutions and/or special resolutions of general meetings are binding on directors;
- ii) the number of members voting in favour required for the adoption of a resolution or a special resolution;
- iii) whether resolutions of a Board on particular sorts of decisions should be referred to a general meeting for confirmation.

It is noted that section 101 (2) of the Act notes that: the powers of the board shall be subject to any restriction imposed thereon by this Act or by the rules of the society. The Registrar informed the M.A.C.C. on the 5th of December, 1984, that the rules of a co-operative could allow for members to direct directors - subject to any binding contractual arrangements entered into by the board and any officers of the society.

2.7 Distribution of Residual Assets: Should there be restrictions placed on the distribution of residual assets and, if so, under what circumstances?

The Working Party considers that it is inappropriate for residual assets to be distributed to individual members. It is a general principle that residual assets are not normally distributed to members in Great Britain, France, Italy or Canada.

In France 'in the case of the winding up of a society, the members only have the right to the nominal values of their shares. The residual assets will be paid to the Confederation generale or such co-operatives, associations or federations designated by them'

In Italy, worker co-operative model rules state: "In the case of winding up, the entire assets, less capital contributed by members, shall be assigned, in accordance with the law, to public use in accordance with the spirit of mutuality".

In Britain, ICOM rules state: "If on winding up or dissolution of the Co-operative any of its assets remain to be disposed of after its liabilities are satisfied, the assets should not be distributed among the members, but shall be transferred to such a common ownership enterprise for such a central fund maintained for the benefit of common ownership enterprises, as may be determined by the members...."

Payment of residual assets to members profoundly undermines the principle of limiting the rights of capital, by allowing capital gains to be made. This opens the way for speculation to be introduced into a society and for members to join in anticipation of capital gain rather than through adhesion to the principles of co-operation and the objects of the society. Such payment directly contradicts the principle of limited interest on shareholdings. This objection is endorsed by the majority of the worker co-operatives in Victoria and those under the N.S.W. Common Ownership Programme.

Permitting payment of residual assets would in the long term result in the undermining of the notion of nominal value of shares and could lead to corrupt practices such as secret payments for membership or transfers. The Working Party recommends that on winding up, co-operatives should be obliged to allocate residual assets to other co-operatives or for co-operative development in their sector as determined by their members.

2.8 Distribution of Surplus: Should there be restrictions on/requirements for the distribution of surplus and, if so, what should these restrictions/requirements be?

In accordance with the International Principles of Co-operation, the Working Party considers that surplus should be allocated into reserve funds, co-operative development and schemes for collective rather than individual member benefit.

The argument of individual shareholding and, indeed, relatively high levels of equity are based on the assumption that there is a relationship between financial investment, worker commitment and workplace productivity.

A survey of two employee-owned enterprises in the U.S.A. (the Trucol Knitting Mill and the Community Furniture Company) has revealed however, that shareholding is not necessarily associated with higher levels of job satisfaction, feeling of control or benefit from the ownership itself.

Capital in a co-operative is a factor of production and not the basis for exercising control over the enterprise as in joint stock companies.

The Working Party believes that the aim of collective member benefit is best achieved through positive incentives for the distribution of surplus. Individual co-operatives should have the right to decide whether or not to distribute any surplus to individual members and the form that the distribution should take, (except for repayments on capital). The Working Party rejects the suggestion that not distributing surplus to members is anti-co-operative per se. It is important therefore that, while not specifically prohibiting limited distribution of surplus to members, the State and the co-operative movement should assist and encourage co-operatives, individually and collectively, to develop schemes for the collective benefit of members, in lieu of surplus.

As well as this effective discouragement of the private appropriation of surplus, individual co-operatives or sector associations should have the power to prohibit distribution of surplus by member societies to individuals. It was noted that the Rental Housing Co-operative Housing Advice Service has suggested that individuals should not receive surplus monies.

The Working Party also considered the issue of bonus shares.

In general the Working Party believes that the equity needs of a co-operative are best met through the development of a reserve fund. The issue of bonus shares is in fact a form of capital gain where a member gains in regard to his/her shareholding rather than through his/her participation. It also provides a means for distributing the assets of a society in violation of the International Principles.

One member of the Working Party, Glass Glow Industrial Co-operative, felt that the issue of bonus shares could be permitted as a legitimate form of membership participation.

At present there is no provision for the issue of bonus shares and the Working Party resolved to recommend that this continue to be the case in future legislation.

However, it is recognized that in the present circumstances many co-operatives can, due to present taxation laws, only utilize surplus for the reinvestment through the issue of extra shares. The Working Party recommends the amendment of the taxation act to rectify this situation by allowing co-operatives to set aside the entire surplus into the reserve fund.

2.9 One Co-operatives Act: Should all co-operatives be under the
one Co-operation Act?

At present, legislation in Victoria allows for most business enterprises to have legal status under two Acts: the Companies (Victoria) Code and the Co-operation Act. The Companies Code covers public and private companies, some co-operative companies and some public sector companies. Other public sector companies are incorporated under specific legislation.

The Working Party believes that success of the Companies Code indicates the desirability for the development of a national code for co-operatives. Although it is a long-term aim, it would assist co-operatives in developing a broader outlook and enhance co-operation between co-operatives on a national level. The enactment of progressive co-operative legislation, which could served as a model for such a code, would be a major step toward achieving it.

While there are great differences in objects, organization and activity, the similarities between co-operatives justifies a single Co-operation Act. The present Act allows for five different kinds of societies and, in regard to credit societies, contains a number of provisions specific to their requirements.

The Working Party recommends that a specific category of Worker Co-operatives be established under the revised Co-operation Act, and that there be specific provisions to govern them where required. Many of the recommendations in this report pertain only to worker co-operatives and, if adopted, would have to be contained in specific provisions.

Pre-co-operatives

It has been proposed to M.A.C.C. by the Co-operative Federation of Victoria that groups wishing to register as co-operatives should be required to demonstrate their co-operativeness and their economic viability. It is, of course, difficult to establish a satisfactory basis for determining both co-operativeness and economic viability.

The difficulty of establishing what constitutes co-operativeness has been illustrated by the following comments of the Producer, Marketing and Trading Co-operative report to M.A.C.C.: "Overall, the feeling among representatives from the producer/trading area is that there is widespread ignorance of co-operative philosophies, principles and practice, across the co-operative sector and in the community as a whole. The Morwell meeting considered that overall there was a lack of incentives to encourage co-operation. This raises the question of how to make co-operatives co-operate?" (7).

These observations are obviously important as they do come from an established co-operative sector. If this established co-operative sector cannot be relied upon for its knowledge of co-operative philosophy, principles and practice, then, it is inappropriate to entrust this sector with determining co-operativeness when its own co-operativeness is under challenge.

The only basis for determining co-operativeness should be a new Co-operation Act which clearly and plainly enunciates and specifies the basis for co-operative philosophy, principle and practices, and therefore, the basis for registration as a co-operative. The new Co-operation Act would establish the philosophy, principles and practice basis for the structure and organization of co-operatives - based on mutuality, democracy and autonomy. The Act needs to be clear and specific on co-operatives - not to reduce flexibility but to establish the practical possibilities and consequences of the rhetoric.

2.10 The Level of Equity How should the level of equity be dealt
 with in the Act?

The Working Party considers that the Co-operation Act should allow a minimal equity and provide that the initial equity contribution by worker members in worker co-operatives should be equal.

It considers that the equity level of a co-operative should continue to be determined by individual co-operatives. The Working Party rejects the argument that equity is the key to the distinction between co-operatives and conventional business and that equity is synonymous with autonomy, self sufficiency and freedom from dependency. The Working Party considers that the equity level is only one indicator of commitment and should not be the basis for determining commitment. The Working Party is concerned however, that low equity levels should not disadvantage worker co-operatives in seeking and obtaining technical assistance.

The Working Party notes that consumer co-operatives do not require members to provide a high equity. It is not accepted that the type of business (i.e. its capitalization requirements) should determine whether or not there should be a high or low equity. The equity level should be determined by an individual co-operative's policy rather than dictated by its capitalization requirements. Relating equity requirements to the type of business is an infringement of co-operative autonomy - the right of co-operatives to determine their own equity levels. It is an argument made by co-operatives who do not have or require a high individual equity and co-operatives whose membership is composed of individual small business producers. The Working Party considers that there are valid philosophical arguments for a low or high equity and it is invalid to argue that either position is anti-co-operative.

It follows from this, therefore, that funding bodies should not encourage high equity and discourage low equity co-operatives in theory and practice. It is recognised that the statement of the ideal, however, does not resolve the problem of how low equity co-operatives are to meet their capitalization requirements. In reality the equity level possible depends on the source of finance and equity requirements of the financiers. This is the reality that conditions the individual choices of co-operatives. Traditional financial institutions will not provide loans to co-operatives which advocate and practice a low equity. It is noted that the Ministry of Employment and Training's Co-operative Development Programme is unique in permitting worker co-operatives to establish a low equity.

The Working Party notes with concern that the Consumer Co-operative Working Party Report has suggested that "Co-operatives should therefore receive from the Government similar assistance as if given to say, small business" (p.9). It is regrettable that the unthinking adoption of this recommendation would preclude the funding of low equity co-operatives. Existing assistance for small business precludes support for enterprises which have an equity level below 30-60%.

The Working Party considers that the debate about co-operatives' equity tends to over-emphasize individual shareholdings and under-emphasize collective retained earnings equity. Both shareholdings and retaining earnings are forms of co-operative equity.

The Working Party recommends that provision be made in the Co-operation Act for common equity options to be available to co-operatives alongside that

of the shareholding provisions contained at present. This will allow co-operatives an alternative form of equity provision as well as permitting greater emphasis on collective retained earnings.

In Italy common equity co-operatives are the usual form of worker co-operative and this form has not inhibited their growth.

2.11 Industrial Democracy: What is the relevance of industrial democracy for co-operatives?

The co-operative movement has its very origins in the struggle for democracy and human emancipation that followed the upheavals of the industrial revolution and the collapse of feudalism. The co-operative movement became the focus for the struggles for greater economic and workplace democracy. In Britain, Robert Owen founded the co-operative mills at New Lanark. In France, the first worker co-operatives were founded in the 1840's, the first being a co-operative of goldsmiths. These quickly grew in number till under the Second Republic, there were over two hundred.

Kim Windsor points out in her paper (8) however, that today democratization of the work process is one of the least developed features of the co-operative movement. In some respects the movement has still to live up to its early promise characterized in the democratic struggles of last century. She notes though that "a fundamental characteristic of co-operative enterprises is the acceptance of the principle of democracy. Its clearest expression is in the practice of according one vote to each co-operative member, regardless of their financial contribution or position. As the membership of a worker co-operative comprises those who are employed by it, the democratic principle extends beyond ownership to decision-making over the work process. This at least forces the question of how to translate industrial democracy theory into practice, onto the agenda for worker co-operatives".

However, employee participation in all forms of business enterprises has progressed. The issue has been the subject of important forums in Australia and many firms have reached industrial democracy agreements with employees and their unions. Many countries including the Federal Republic of Germany, France, Italy, Yugoslavia, Sweden and Canada have various forms of industrial democracy legislation in force.

The Australian Government has stated its support for industrial democracy. Indeed the Accord, which involves organized labour in economic planning, is an essential part of its strategy.

The Victorian Government has also strongly supported the development of industrial democracy. Its draft legislation on occupational health and safety provides for significant employee participation in the development of health and safety procedures in the workplace.

The co-operative movement has a role to play at the forefront of developments in industrial democracy. Any legislative change must not inhibit this; provision for co-operative employee information and participation must be made.

3.0 CO-OPERATIVE DEVELOPMENT

This section deals with the issue of co-operative development. The Working Party considers that, while the stimulation of co-operative development must be the responsibility of the movement itself, the State must play a positive role in this through legislation and the provision of technical and financial assistance.

The previous section dealt with the most important aspect of this, the reform of the Co-operation Act itself in order to allow the co-operative movement to function more rationally and to recognize the new types of co-operative that have appeared (or reappeared) over the last decade.

This section addresses questions raised by the issue of co-operative development more directly.

3.1 Co-operative Development: Should co-operative development be based on co-operative philosophy and principles?

The Working Party believes that co-operative development should be based on co-operative philosophy and principles. It recognises however, that there are differences of opinion within the co-operative movement as to how these are constituted in regard to how development is organized.

The Working Party believes that in the light of clarification already made in this report, co-operative development must,

- i) be controlled by co-operatives themselves and in particular that development of particular co-operative sectors should be controlled by associations of co-operatives in those sectors;
- ii) allow associations to invite Government and other groups in the community, who they consider have a contribution to make, to participate in any bodies they may establish to encourage development.

The Working Party understands co-operative development to mean assistance, or regulation of co-operatives with the object of increasing and strengthening

- a) the number of co-operative societies,
- b) the membership of co-operatives,
- c) the proportion of co-operatives in the economy.

While Government can critically assist worker co-operatives, the establishment and development of individual co-operatives critically depends on the initiative and commitment of workers in these co-operatives. In studying 420 worker controlled factories in Chile, Andrew Zimbalist and Juan Espinoza concluded that the workers exercised control of factories where the plant had a history of worker struggle and where the workers had been active in its nationalization. The economic failure of worker co-operatives in Australia and overseas can often be attributed to the top-down rather than bottom-up history of the development of the co-operatives. Top-down worker co-operatives are exemplified in the co-operatives established by sponsors under the Community Employment Programme and companies converted into co-operatives because of the owner's initiative. The TNC-LRC report, Worker Co-operatives in Victoria and N.S.W.: A Policy Review, in particular has warned against the development of worker co-operatives through CEP-type programmes with targetting, short-term funding and without any viability criteria.

3.2 Ensuring Co-operative Development is based on Co-operative Principles: How is it possible to ensure that co-operative development is based on co-operative philosophy and principles?

The Working Party believes that it is only possible to ensure that the development is based on co-operative philosophy and principles if legislation is drafted to reflect and reinforce them.

For co-operators to participate in the development of their movement, policy and support agencies must be under the control of associations of co-operatives and accountable to them.

The critical basis for ensuring that co-operative development is based on co-operative philosophy and principles and ongoing co-operative education and training. The Working Party recognises the importance of the co-operative education study commenced by the Ministerial Advisory Committee on Co-operation. Education is the prerequisite to co-operative and industrial democracy.

Kim Windsor in her paper on Industrial Democracy and Co-operatives points out that, for many people, the opportunity to take an active part in the way their enterprise operates, will be new. There are significant cultural, attitudinal and educational barriers to be addressed if workers are to participate in this process. The first step is for all workers to have access to relevant information about their enterprise and the support and resources to assist them to interpret and apply it. This can partly be achieved through education and training courses, such as those provided through Preston T.A.F.E. As the process is ongoing and each co-operative is unique, it also implies a need for flexible and continuous training and education provisions able to address enterprise - specific issues.

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3.3 Trade Unions and Co-operative Development *

Co-operatives and Trade Unions have common origins in the democratic struggles of the early nineteenth century. In many countries, such as France, Italy and Spain, the links between the two movements have always been close and mutually supportive.

In Australia, the founding of the trade union movement somewhat predated the first co-operatives and, though worker co-operatives were founded in the nineteenth century, the movement did not take root to the same extent as did in Europe.

The common struggles for democracy and the limitation of the prerogatives of capital did not produce the common bonds found in the European movements.

Today the relationship between the co-operative and the trade union movement can at best be described as distant. The Working Party however, is of the opinion that the trade union and worker co-operative relationship is important. It is recognised that the experience and knowledge of the trade union movement could be of invaluable assistance to worker co-operatives.

In her paper, Trade Unions and Worker Co-operatives (9), Sara Charlesworth, of the Federated Liquor and Allied Industries Employees' Union, indicates some of the concerns that trade unions have in regard to co-operatives. They are:

i) A Job-Creation Scheme:

The worker co-operatives are seen as yet another job creation scheme. Trade unions have been wary of job creation schemes because of their short-term nature and because "job creation schemes not only have problems incorporating project workers into the broader workforce, but neither has any effort been made to link the projects to industry development strategies. Instead they hover on the margins of the labour market, somewhere between welfare and business".

ii) Co-operative Structure:

Worker co-operatives blur the distinction between employer/employee interests. To some unions this may appear as coopting workers into accepting decisions that are against their interests. It may be seen that workers have to risk both their savings and their jobs. To some unionists that draws the worker too far into the areas of employer's risk and weakens the union's ability to intervene in favour, interests of employee. This can be further complicated where a co-operative workforce belongs to two or more unions.

iii) Wages and Conditions:

'Worker co-operatives may not be aware of their industrial responsibilities. They could become another form of self-exploitation which survives in the market only by undercutting their own wages and conditions, at the same time threatening the jobs of others.'

iv) Multi-skilling:

Co-operatives are often seen as wanting to break down skill barriers, which have been negotiated by unions to protect the skills and pay of their members.

* EMPLOY Co-operative is still discussing the issue of trade unions and has no policy on them.

Worker co-operatives too have concerns about unions. Many co-operatives see unions as narrowly concerned with maximizing pay at the expense of other worker prerogatives, and hence, dependent upon an authoritarian capitalist enterprise, with a bevy of bosses, against who the unions can do battle to win increments for members. They often see unions supporting out-moded job barriers which limit the workers' opportunity for developing a more rewarding approach to their work.

Many co-operatives therefore see the unions as irrelevant to their needs and are uninterested in developing responses to them. The Working Party believes that both views are erroneous and based on partial experience.

It is noted that the AMFSU, at its 1984 National Conference approved the following resolution in regard to worker co-operatives.

"National Conference of the Amalgated Metal Foundry and Shipwrights Union notes the increasing number of attempts to set up worker co-operatives. Whilst accepting that under certain circumstances these developments could be used to improve workers' rights and conditions, we draw to the attention of members that in today's economic climate these programmes, without effective guidelines and union involvement can quickly lead to the opposite. Reduction in wages, conditions and 'on the job' union organization.

Conference therefore encourages the membership to become involved in work co-operatives only under the following guidelines:-

1. Full Trade Union rights, as per AMFSU Charter on Shop Committees.
2. Rates of pay and conditions to be line with awards, overaward payments, and industrial agreements.
3. Company structure based on genuine industrial democracy principles.
4. We call on State and Federal Governments when investigating the setting up of co-operatives to include union representation in such investigation.

Should agreement be reached for the setting up of a co-operative, Federal and State Governments should supply support in the following areas:-

- (1) Low cost finance and legal assistance.
- (2) TAFE or similar Technical organization to conduct appropriate courses in co-operative management.
- (3) Government to fund Trade Union conducted training for Industrial Democracy programmes specifically aimed at co-operatives."

The Working Party believes that it is of paramount importance that closer links be developed between the trade union movements and the co-operative movement, particularly the worker co-operative sector. It is noted that the Ministry of Employment and Training's Co-operative Development Programme, encourages Trade union membership and that preference is given to unionized co-operatives. The unionization level of assisted co-operatives varies from nil to 100%.

The Working Party considers that union membership should be encouraged.

It is noted that the Minister for Employment and Training, the Honourable J. Simmonds, has announced that he would eventually like to see trade union representatives on the C.D.P. Funding Committee. It is agreed that the trade union representative on the C.D.P. Funding Committee and any future financing body for worker co-operatives is desirable.

It is recognised that trade unions and worker co-operatives have different objectives, experiences, operational methods and activities. But, these differences do not prevent the establishment of a link between trade unions and worker co-operative. It is recommended that a trade union - co-operative liaison committee be established to assist in the development of these links.

The Working Party considers that the LRC and TNC report on worker co-operatives has identified the critical issues that need to be addressed in developing the worker co-operative and trade union relationship. It is noted that the ACTU and the Australian Labor Party support the development of appropriate forms of industrial democracy.

3.4 Differing Resourcing Requirements: To what extent do the different co-operative sectors have different resourcing requirements and what is the impact of this resourcing provision?

The resourcing requirements of the different co-operative sectors are different. This must be the critical basis in determining resource allocation. The differences exist because of differences in the interpretation and practice of co-operative philosophy and principles. These differences are not resolved by common resourcing based on Gresham's Law of establishing a lowest common denominator. It may appear to be cost-effective to encourage common resourcing in the short-term but it would not be cost ineffective in the long-term given the real differences between co-operative sectors.

The experiences in the United Kingdom, France and Italy indicate that development is most effective when it is decentralized. Adequate and appropriate resourcing can best be provided when it is controlled or at least supervised at the local level.

In the United Kingdom there is a centralized Co-operative Development Agency and approximately 80 local co-operative development agencies. The Industrial Common Ownership Movement (ICOM) supports the development of worker co-operatives which play the more effective role in co-operative development.

In France, the worker co-operative (S.C.O.P.) movement is decentralized and organised along two lines. Firstly it is divided into eleven regions which are responsible for representation and assistance in the areas of legal, industrial formation and financial administration. As well there are national professional bodies (e.g. the National Federation of Building Industry Worker Co-operatives), though the larger ones are also organized regionally.

In Italy, Article 45 of the Constitution states: "the Republic recognises the social function of co-operation, its mutualistic character without the object of private speculation. The law favours its development through the most appropriate means and ensures its character and objects by means of legal controls." Co-operative development is again carried out in a decentralized form, though there is a national organization for the promotion of exports. The main development is through the regional associations which work together with regional governments. By law, banks have to provide a certain level of finance for co-operatives and particularly in the north, local governments contract out to co-operatives in areas such as building, housing etc.

3.5 Infrastructure: What kind of infrastructure should be established to assist the development of the different co-operative sectors?

The Working Party recommends that each co-operative sector should be responsible for identifying and meeting its fundamental infrastructure support through the establishment of co-operative sector associations. These associations would be empowered to assume the following tasks:

- a) representative - to represent the co-operatives from its sector both directly and by representation in the Co-operative Federation of Victoria;
- b) servicing - to provide services to member co-operatives by establishing appropriate instruments, such as business consultancy;
- c) administration of the Co-operation Act - before intervening in the administration of a co-operative, the registrar should be obliged to seek the advice of the relevant co-operative association;
- d) policy - to advise the Minister(s) responsible for co-operative policy through representation on a Victorian Co-operative Council;
- e) education - each co-operative association would establish a co-operative education committee. The committee would be represented on a Co-operative Education and Training Association (C.E.T.A.), which would be separate from the Victorian Co-operative Council;
- f) promote the development of their respective co-operative sectors.

The Working Party notes that both the credit co-operatives and the food co-operatives support the establishment and the development of co-operative associations.

The Ministry of Employment and Training has provided funds to enable the Victorian Food Co-operative Study Group to develop a proposal for a Food Co-operative Association and for a study into the feasibility of establishing a Worker Co-operative Association. It should be noted that there is already a successful model in the Victorian Credit Co-operatives Association.

The Working Party Considered what the respective role of a reformed Co-operative Federation and a Co-operation Council would be and whether, if the Federation were reformed in accordance with the recommendations made in this report, there would be any need for a separate Council. It was decided that the issue required further investigation and discussion.

Backyard Press pointed out the need for co-operatives, such as the Promotion and Distribution Agency, which resources other co-operatives through the promotion and distribution of co-operative goods.

3.6 Common and Separate Resourcing: To what extent should there be common and separate resourcing of the co-operative sectors?

A Victorian Co-operation Council is supported provided its membership reflects the co-operative associations and the Council does not override sector association decision-making.

It is noted that the Rental Housing Co-operative Advice Service Limited has recommended the establishment of a Co-operative Development Agency (C.D.A.). It is not clear, however, how the proposed C.D.A. would relate to co-operative associations. It is noted that the C.D.A. in the United Kingdom has been criticized as being centralist, bureaucratic and hierarchical.

While the proposed C.D.A. could be the same as the Victorian Co-operative Council, the Working Party envisages that the C.D.A. or Council would have an information exchange, policy-making and liaison-role but would not have a significant financial and technical assistance resourcing role.

It is not accepted that a Co-operative Development Agency with a membership representing all co-operative sectors should assess worker co-operative applicants for funding. It is not accepted that housing, food and producer co-operatives can appropriately assess the funding requirements of worker co-operatives.

While it was agreed that a new Co-operation Act should provide for the establishment of a Victorian Co-operation Council, it was agreed that there should be extensive and intensive consultation within the co-operative sectors on the objectives, structure and activities of the Council and that priority should be given to the development of individual co-operatives and their respective sector associations. This would reflect a bottom-up approach to co-operative development. The premature establishment of a Victorian Co-operation Council could result in increased co-ordination but at the cost of individual co-operative and sector autonomy, democracy and mutuality.

3.7 Co-operative Associations and Co-operative Development: How
important are co-operative associations to co-operative development?

The Working Party considers that sector based associations are fundamental to the development of the co-operative movement.

The co-operative sectors are different but there are substantial similarities within sectors and these similarities are best reflected and represented by the establishment and development of co-operative sector associations. These associations are seen as critical to the development of a co-operative movement. It is considered that an association-based membership of the Co-operative Federation of Victoria is more appropriate than its current membership comprising co-operative company, co-operative society and building society representatives.

It is noted that this has been the model for the co-operative movements in France and Italy and has been critical in their effective organization.

4.0 GOVERNMENT POLICY AND THE CO-OPERATIVE MOVEMENT

In addition to its intrinsic value, the development of the co-operative movement may also assist the State in achieving other objectives, particularly in the area of economic and social policy.

This does not at all imply the subordination of the co-operative sectors but that they share compatible aims which can be achieved through common effort.

It is largely on this basis that governments in Australia and Britain have been looking at the co-operative sector as a means of furthering State policy.

The co-operative movement offers an attractive third sector, distinct from both the private and the public sectors. Its democratic form and traditions offer a counter to the tendency of capital to be concentrated in fewer and fewer hands.

Co-operatives also offer an alternative to the centralized structures that characterize State and private enterprise and which, in the developing neo-technological economy, are more apt to the complex production/information processes which are evolving.

Worker co-operatives offer possibilities in the areas of employment policy both in their potential of permanent job creation and consequent reduction of unemployment levels and in their potential in developing employee participation and industrial democracy.

Co-operatives also offer the possibility of relieving, or at least decentralizing, the burden of the State's social responsibilities. Worker co-operatives are more likely to establish services for their employees and particular service co-operatives, such as housing or food co-operatives, may better service their members than can the public sector.

The Working Party recognized that, where the co-operative movement and the State have common aims, a common approach is desirable. The co-operative sector may in these areas become an instrument of State policy as does, of course, the private sector. There is no reason to suppose that this would necessarily reduce the co-operative movement to being a client of the State. On the contrary, such co-operation would enhance the capacity of co-operatives to influence State policy in all areas of common endeavour.

4.1 Direct Government Involvement: Should the Government directly
fund co-operatives?

The Working Party recommends the continuation of assistance for the establishment and development of worker co-operatives. It is preferred that funding come from the co-operative sector itself but on a similar basis to that already provided by the Ministry of Employment and Training under its Co-operative Development Programme - low interest loans and grants.

A Co-operative Bank

While the Working Party supports the establishment of a co-operative bank, it is realized that the availability and accessibility of these funds to worker co-operatives will depend on:

- the structure of the bank,
- the policies of the bank,
- the interpretation of these policies.

It is recognized that the existing co-operative bank in France provided few loans to worker co-operatives because they are rightly regarded as high risk ventures. The establishment of a co-operative bank will not reduce the high-risk nature of worker co-operatives and therefore does not obviously resolve how worker co-operatives will be financed.

It should be noted, however, that in the U.S.A. and Europe, government and private financing institutions are developing a more adventurous approach to business by providing risk venture capital.

The amount of venture capital in the U.S.A. has increased dramatically from \$39 million in 1977 to \$5.8 billion in 1981. The entry of foreign banks and the introduction of a capital gains tax could facilitate the development of venture capital in Australia. The financing of worker co-operatives, therefore, depends on the development of adventurous financial institutions - an approach being developed in New South Wales and Victoria for worker co-operatives.

Grants and Loans

There is a view that self-help is basic to co-operative philosophy and principles. Self-help is defined as the capacity of a co-operative enterprise to establish itself and develop without any external assistance, particularly financial assistance. Few co-operatives, therefore, could be said to strictly reflect and reinforce this sort of 'self-help'. It should be noted however that self-help according to this definition is not a co-operative principle; nor does it conform to the definition of self-help used by the Collective of Self-Help Groups which states that "self-help is a process which aims to develop participatory processes and structures within groups, organizations, movements and the wider society". Nonetheless, the advocates of co-operative 'self-help' persist and they are applying differentially this assumption to the financing of co-operatives and have specifically focused on the desirability of only providing loans to co-operatives. Loans are presumed desirable because they are repayable and co-operatives are therefore forced to generate sufficient income to repay the loans. Grants, however, are presumed to be undesirable because there is no return rendered and required. There is a basic assumption that the only real return on any investment is cash and that the only real investment is cash. The assumption is that a grant tends to be a disincentive and the greater the grant the greater the disincentive. The opposition to grant funding of co-operatives has been effectively articulated by the 'Producer, Trading and Marketing Co-operative Working Party Report to the M.A.C.C.

The Working Party comments on grants in two sections of its report:

§2.3 In regard to government funding for new co-operatives, e.g. worker co-operatives, two views emerged. One considered that grant funding was inappropriate and undermined the need for co-operatives to work like any other business in the market place. A different view felt that seeding money for new enterprises could be a positive step. It was generally agreed that government loans to co-operatives were appropriate. Further, if governments were prepared to assist co-operatives by guaranteeing loans, this would help to breakdown the stigma which still attaches to these co-operatives by encouraging member equity.

§3.1 As previously stated (see 2.3), the producers and trading representatives were opposed in principle to the government making grant funds available to co-operatives, as this undermined the self-help philosophy of the co-operation. However there is strong support for loans on whatever terms, and in particular the use of 'seeding' money in the start up phase.

There are a series of unsubstantiated assumptions inherent in these observations. It is assumed but not demonstrated that grants undermine co-operatives. It assumes that 'self-help' is the essence of co-operative philosophy without examining the practical consequences of such a purist application of self-help.

A grant is not necessarily an incentive or a disincentive. In effect, a grant is value neutral and its incentive and disincentive properties are determined by the context and conditions. To consider grants to co-operatives as inherently bad reflects specific ideological predispositions on the part of the proponents of these views rather than anything about the peculiar properties of grants.

The financing of co-operatives through grants and/or loans should depend on the appropriateness of the specific grant and/or loan rather than dogmatic ideological preferences and objections. It is necessary, therefore, to assess specific financing circumstances and then judge the appropriateness of loans and/or grants. Government policy objectives and priorities are equally relevant. As the Government must ensure that co-operatives pay award wages, it may be necessary to subsidize wages.

While the Worker Co-operative Working Party supports co-operatives' autonomy (self-governing and independent), it rejects the claim that 'self-help' (the act or practice of attaining one's ends without external aid) is a principle of co-operation. The Working Party believes that grants are not inherently inconsistent with autonomy. While a co-operative may choose to espouse and prefer 'self-help', it is not coterminous with the principle of autonomy.

Private enterprise is usually considered to be autonomous and to practise self-help while at the same time receiving government grants, including grants research and development, education and training and wage support. Private business owners also benefit from the taxation legislation with capital gains benefits which are not available to co-operatives. The overriding assumption, therefore, seems to be that personal benefit is acceptable whereas collective benefit is unacceptable and therefore that personal financial commitment is necessary and desirable but that other forms of commitment are not.

In considering the arguments for and against loans and/or grants it is equally important to give consideration to the consequences of not providing grants as it is to those of providing them. These consequences could include: adopting a high individual equity and an inappropriate level of capitalization, an inappropriate scale of operations, and excluding minority groups

from establishing co-operative enterprises. What follows, therefore, is a listing of the range of financing requirements and a commentary on the appropriateness of providing a grant and/or loan:

WORKING CAPITAL: The ongoing survival of co-operative business depends on its capacity to generate its own working capital. It is appropriate, therefore, that generally the provision of working capital is through a loan, provided this is based on the eventual and realistic capacity of the co-operative to generate its own working capital and simultaneously repay the loan. If this is not realistic, then, it may be desirable for some initial working capital to be in the form of a grant.

CAPITAL EQUIPMENT: The ongoing survival of a co-operative business depends on its capacity to generate enough surplus in order to progressively replace capital equipment. It is appropriate, therefore, that the provision of funds for capital equipment is through a loan based on conditions realistic to the normal capacity of the co-operative to generate sufficient surplus to accumulate reserves for the progressive replacement of capital equipment and the repayment of the the loan.

OPERATING COST: The initial basis for economic viability is the capacity to meet ongoing operating costs through sales. Normally, however, a small business operates at a loss for up to three years. Operating cost subsidies need to be in the form of grants. Accepting a loan to finance operating costs in the inevitable unprofitable developmental period would eventually force the co-operative to adopt an uncompetitive pricing structure when it was profitable to repay the operating cost loan.

Socially useful goods and services

The Consumer Co-operative Working Party report to M.A.C.C. has proposed continuous Government funding for co-operatives which provide socially useful services and products. The assumption is that it is not possible or desirable to sell the product or service in the market-place and that it is desirable, therefore for the government to subsidize the price of the product or service.

If it is desired that certain goods and services should be provided and that these cannot be competitively sold, then, there is an argument for the goods and services being provided directly by the public sector or indirectly through the co-operative sector on the fee for service basis. Rental housing is an important example of how co-operatives funded by the public sector to provide a socially desirable good - public housing.

In considering the role of co-operatives in providing public goods it is necessary, however, to consider the problem of privatisation. Privatisation is altering the status of a business of industry from public to private control or ownership and the provision of goods and services by the private sector which were-previously provided by the public sector. Privatisation, however, is not inherently more efficient and could reduce the quality of goods and services.

The question of whether a good or a service should be provided by the public, co-operative or private sectors should depend on an assessment of cost, scale, quality and effectiveness. The assessment would necessarily be both quantitative and qualitative. This would include assessing, for example, the cost of inferior services and the cost of minimal investment which could follow from the desire of private contractors to maximise profits.

The circumstances under which a worker co-operative should be supported on a fee for service basis would be those where the good or service is provided by the co-operative rather than the public sector.

4.2 Basis for Direct or Indirect Government Funding: What Should Be the Basis for Direct or Indirect Government Funding of Co-operatives?

The Working Party believes that government can best support the development of worker co-operatives by:

- i) provision of favourable tax allowances,
- ii) exemption from sales taxes and duties,
- iii) adoption of tendering procedures which favour co-operatives for government contracts,
- iv) the continued provision of loans and grants,
- v) providing resources for education in co-operation for members of co-operatives,
- vi) assisting with suitable technical training schemes for co-operative workers,
- vii) provision of consultancy services,
- vii) other forms of indirect assistance such as reduced workers' compensation premiums.

The Working Party notes that financing the recommendations of the Consumer Co-operative Working Party report will impede the development of not only worker co-operatives but also food co-operatives.

The Working Party considers that it is unrealistic to provide only small grants to worker co-operatives. Grants should continue to be available for co-operative course participation and operating costs.

Two members of Backyard Press believe that grants should be available but not to an individual enterprise for more than three years.

On the question of grants for worker co-operatives, they should not be confused with co-operatives which are funded by government because they are providing a service for a fee, i.e. a purchase-price relationship. These co-operatives are not being subsidized.

The financing issues of worker co-operatives are not resolved by ensuring that worker co-operatives are not treated differently from other forms of traditional business enterprise. This ignores:

the possibility and desirability that worker co-operatives should and could be treated differently because they are different from other forms of business;

the consequences of worker co-operatives being treated similarly by financial institutions - no grants, and loans at high interest rates based on collateral and personal guarantees.

It is recognized that (i) to (iii) above in particular are problematic in proposing preferential treatment for worker co-operatives when there is increasing emphasis on de-regulation and, therefore, less preferential treatment.

4.3 Government funding for Infrastructure Support: Should the Government provide funding for co-operative infrastructure support?

Worker Co-operative Association

The Working Party considers that for the short-term (five years) the establishment and development of a Worker Co-operative Association will depend on direct Government support. It is considered, therefore, that there should be an undertaking by Government to support the Association for a period of five years.

The Working Party considers it unrealistic to require the Association to become self-financing within this period of time. Requiring the Association to develop self-financing over this period would distort the resources and priorities of the Association. The sole basis of self-financing will be an extensive and economically viable worker co-operative sector. It is expected that it will take up to five years before there are sufficient worker co-operatives to support an Association.

The Working Party does not consider that direct Government funding of a Worker Co-operative Association would create dependency provided the funding was based on the co-operative philosophy of mutuality, democracy and autonomy.

Victorian Co-operative Council and Co-operative Education and Training Association

Funding should also be available for a Victorian Co-operative Council and Secretariat, a Co-operative Education and Training Association and co-operative education courses.

Courses need to be differently targetted on potential co-operative intenders, committed co-operative intenders, co-operative planning, the establishment of co-operative enterprises and co-operators in developing co-operative business enterprises.

The co-operative education courses being developed by Preston TAFE in conjunction with the Ministry of Employment and Training provide a basis for further development. In the short-term, it is recommended that the membership of MEAT's Co-operative Education Course Committee should be expanded to include nominated representatives of worker and food co-operatives.

APPENDIX A

SUMMARY OF RECOMMENDATIONS

- 1 Legislation must be reformed to adequately provide for new types of co-operative which have been established in Victoria over the last decade.
- 2 Future legislation should be drafted in plain English.
- 3 Legislation should contain a definition of co-operatives which recognizes them as a particular sector of the economy.
- 4 Legislation should recognize worker co-operatives as a particular form of co-operative: 'a free collective enterprise of associated workers.'
- 5 The International Principles of Co-operation should be incorporated into legislation, but only if their interpretation allows the efficient and democratic functioning of each co-operative sector.
- 6 The principle of open membership should not prohibit co-operatives from adopting specific social objects for the benefit of discriminated groups.
- 7 The appropriate mechanism for the democratic functioning of secondary societies is the principle of one representative/one vote. There should be no voting powers based on capital or turnover of a member.
- 8 Interest on share capital in a co-operative enterprise should be limited to the level of the rise in the Consumer Price Index in that year.
- 9 Legislation should allow for the establishment of common equity co-operatives.
- 10 Control of the economic results of a society and how, or whether, it is to be distributed must lie with the membership at a general meeting.
- 11 Co-operative education must be carried out by co-operatives themselves through their sector associations.
- 12 Co-operatives lack the resources to carry out the necessary education and need the support of the State in order to achieve it.
- 13 Legislation should facilitate the formation of co-operative sector associations.
- 14 All workers should be required to join the worker co-operative they work for.
- 15 There should be a probationary period of not more than six months.
- 16 There should be provision for a class of non-voting, non-shareholding auxiliary or honorary members.
- 17 There should be no restriction on the number of worker directors in the Co-operation Act, but individual co-operatives may have provision for this in their rules providing a conflict of interest can be established.
- 18 A co-operative of less than 25 members need not establish a board of directors.

- 19 There should be no limit on the size of the board of directors of a co-operative.
- 20 The degree of control that the membership of a co-operative has over its board should be determined in the rules of the co-operative and not in legislation.
- 21 The residual assets of a co-operative should not be distributed among its members, but should be allocated to other co-operatives or to co-operative development as determined by the members.
- 22 Distribution of surplus to members should be permitted, but schemes for collective member benefit should be preferred and encouraged by State supported incentives in this area.
- 23 There should be no provision for the issue of bonus shares.
- 24 Taxation regulations should be amended to allow co-operatives to set aside their entire surplus into their reserve funds without being taxed.
- 25 There should be uniform co-operative legislation covering all States and territories of the Commonwealth.
- 26 There should be a specific category for worker co-operatives included in the Co-operation Act.
- 27 Any group of people wishing to work in association according to co-operative principles should be permitted to form a co-operative under the Act. The requirements for economic viability should be no greater than those for companies.
- 28 The Co-operation Act should allow minimal equity and provide that the initial equity contribution by worker members in worker co-operatives should be equal.
- 29 There should be provision for participation and information for employees of co-operatives of all types.
- 30 Co-operative development should be controlled by the co-operatives of each particular sector through sector based associations.
- 31 There should be ongoing co-operative education and training to ensure that co-operative development is based on co-operative philosophy and principles.
- 32 Trade union membership by co-operative employees should be encouraged.
- 33 There should be trade union representation on the Co-operative Development Programme Funding Committee.
- 34 A trade union - co-operative liaison committee should be established to develop links between the two movements.
- 35 Resourcing of co-operatives should be organized so it can be initiated, controlled and supervised at the local level.
- 36 Each co-operative sector should be responsible for identifying and meeting its fundamental infrastructure support through the establishment of co-operative sector associations.

- 37 Assistance for the establishment and development of worker co-operatives should continue. It is preferred that funding come from the co-operative sector itself but on a similar basis to that already provided by the Co-operative Development Programme.
- 38 The establishment of a co-operative bank is supported.
- 39 Assistance to co-operatives should continue to take the form of both grants and loans. Grants must continue to be provided on the basis of needs outlined in the applicant's enterprise plan.
- 40 The government should continue to provide support for worker co-operatives through a variety of means.
- 41 The Government should support the establishment and development of a worker co-operative association for a period of five years.
- 42 There should be funding provided for the establishment of a 'Co-operative Education and Training Association'.
- 43 Membership of the Ministry of Employment and Training's Co-operative Education Course Committee should be expanded to include nominated representatives of worker and food co-operatives.

NOTES

1. Robert Owen cited in Morton A.L., The Life and Times of Robert Owen, New York, 1978
2. John Stewart Mill cited in Williams, Geraint L., (Ed), John Stewart Mill on Politics and Society, International Publications Service, 1976.
3. The Working Party met on the following occasions:
5th and 19th of July
9th and 21st of August 5th and 18th of December
6th and 20th of September 25 of January
4th and 25th of October 1st of February
8th and 22nd of November.
4. Laidlaw.
5. "Auxiliary members have no vote and are ineligible for office." Article 52, Co-operatives Act, Quebec.
6. Companies and Securities Law Review Committee, Forms of Legal Organization for Small Business Enterprises, Sydney, 1984.
7. Producer, Marketing and Trading Co-operative Working Party Report.
8. Windsor, Kim, Industrial Democracy and Worker Co-ops 'The Co-operator', October 1984.
9. Charlesworth, Sara, Trade Unions and Worker Co-ops 'The Co-operator', October 1984.

WORKING PARTY REPORT

PRODUCERS CO-OPERATIVES

TRADING CO-OPERATIVES

MARKETING CO-OPERATIVES

PRESENTED TO:

MINISTERIAL ADVISORY COMMITTEE ON CO-OPERATION

MARCH 1985

NOTE

In considering the several Working Party Reports it is useful to keep in mind that different consultation processes were used.

In the case of the Consumer and Worker MACC Working Party debates, a series of meetings were held in Melbourne; although there may have been some people who attended and contributed to only one or some of the meetings, generally speaking there was a definite continuity in the people involved. This allowed opportunities for consideration and reconsideration of views other than one's own, at subsequent meetings and this process is likely to be reflected in a more matured report.

As regards the Producer's Working Party, meetings of Co-operative Societies and Co-operative Companies were held in Morwell, Camperdown, Melbourne, Shepparton and Mildura, with a change of co-operative faces at each location, thereby ensuring a statewide input to the consultative process. The Melbourne meeting also included representation from one Industrial and Provident Society.

Whilst the spread of co-operatives consulted precluded the succession of discussions with the same parties as was possible with the metropolitan-based Consumer - Worker MACC Working Party, nevertheless the circulation of meeting reports to all co-operatives consulted provided for the refining of views to enable this report to be prepared as representative of attitudes towards fundamental principles and issues with which MACC is concerned.

While there was no unanimous opinion on whether the International Co-operative Principles should be defined (or enshrined) in new legislation, most people thought it was a good idea to do so with a few reservations expressed concerning the application of the principles in "real life" situations.

At one meeting, a representative from a co-operative company considered that the principle of one member/one vote should be deleted in favour of one share/one vote. This was the sole dissenting opinion on that subject.

CO-OPERATIVE CONTRIBUTORS

Producer-Trading-Marketing Co-operatives Working Party

MORWELL MACC MEETING 5 SEPTEMBER 1984

Ian Risstrom	West Gippsland Herd Imp.
Tom D. Lawless	Morwell Co-operative
Lou Fratta	Yinnar A.B. Centre
Geoff Simm	Lakes Entrance Fishermen's Co-op
Henry Wood	Gippsland Tip Truck Hiring Co-op
Brian MacIntosh	Morwell Co-operative Ltd
Mike Hall	Latrobe Valley Credit Co-op
Keith Quigley	Yinnar Community Co-op Hotel
Rick Foster	Yinnar Community Co-op Hotel
Bruce Webster	Yinnar Community Co-op Hotel
Tom Griggs	Morwell Co-op Ltd
John Reardon	South Gippsland AB Co-op Leongatha
Bill Rawlinson	MACC
Maureen Hopper	Deputy Registrar Co-operatives
Paul Goldstone	Research Officer

CAMPERDOWN MACC MEETING 12 SEPTEMBER 1984

Bill Quinlan	Warrnambool Co-op Society Limited
C. Grant Warnock	Warrnambool Co-op Society Limited
Keith Taylor	Warrnambool Co-op Society Limited
Des Free	Cobden A.B. Co-op Limited
W.B. Bateman	Western Herd Improvement Co-op
Allister Mc L. Stewart	Associated Herd Improvement Co-op
J.M. Begley	Cobden A.B. Co-op
Bill Rawlinson	MACC
Maureen Hopper	Deputy Registrar, General Co-operatives
Paul Goldstone	Research Officer

MELBOURNE MACC MEETING 13 SEPTEMBER 1984

Dan Armstrong	YCW Co-operative Society
Peter Rennie	Victorian Oatgrowers Pool & Marketing
Andrew Hilton	Small Business Development Corporation
Bill Doyle	Waverley Trading Co-operative
Phillip Billing	Waverley Trading Co-operative
Peter Cobourne	Victorian Artificial Breeders Co-op. Society Ltd.
Louise Joy	Warrandyte Co-operative Ltd.
Louise Joy	Social Work Department
	Monash University
Lynne Allison	St. Kilda Income Stretchers
Diana Campbell	St. Kilda Income Stretchers
Bill Rawlinson	MACC
Maureen Hopper	Deputy Registrar, General Co-operatives
Paul Goldstone	Research Officer

SHEPPARTON MACC MEETING 18 SEPTEMBER 1984

John Wellman	Goulburn Valley Herd Improvement
Ken Chester	Goulburn Valley Herd Improvement and Associated Herd Improvement Co-operative
David Taylor	Ardmona Fruit Products Co-operative Coy Ltd. .
Ian Gresswell	Ibis Milk Products
Ron Bray	Ibis Milk Products
Max Hyland	Numurkah East Goulbourn Herd Improvement
Phil Perkins	Numurkah East Goulburn Herd Improvement.

MILDURA MEETING 25 SEPTEMBER 1984.

N.G. Green	Mildura High School Co-operative
Mrs. P. Kempton	Sunraysia Districts Citrus Co-op.
	Society Ltd.
Colin Thomson	Mildura Group of Co-op Housing
	Societies
Peter Shaw	Sunraysia College of Technical &
	Further Education Co-op Society
Brian Furey	Mildura Co-op. Fruit Co. Ltd.
John Worthington	Sunraysia Fruit & Vegetable Growers
	Co-op.
John Knight	Irymple Community Co-op. Society
Jack Isaacs	Red Cliffs Community Hotel Co-op
	Society
Jack Isaacs	MW Irrigation Co-op Society
Evan Morrison	Mildura Co-op. Egg Producers Society
Alf Grasso	Sunraysia Fruit & Vegetable Growers
	Co-op.
Bill Rawlinson	MACC
Maureen Hopper)
Kerry Nolan) Registrar
Paul Goldstone) of Co-operatives

MACC PRODUCERS - TRADING - MARKETING WORKING PARTY REPORT

The matters addressed were those raised in the MACC Information Paper and in particular the various specific questions associated with:

- 1) Legislative changes
- 2) Stimulation of Co-operative development
- 3) The role of government in Co-operative development.

The group also addressed the current process of Co-operative audit and opinions associated with funding Co-operative development.

Of particular interest were the views expressed by members of many old-established Co-operatives on the co-operative movement in Victoria (generally perceived as static) and the commonly identified single major problem in the sector, being the parlous state of co-operative education.

1. Legislative Changes

- 1.1 Should there be a definition of a co-operative included in the Co-operation Act?

There is general agreement by Co-operative Societies and Co-operative Companies that the word 'Co-operative' should be defined in relevant legislation. On the definition wording more discussion is needed to reach an agreed conclusion which can be submitted as a recommendation. It is anticipated that this conclusion can be reached by mid-March to enable the recommendation to be included in the draft overall report.

It has been suggested that consideration should be given to using the word 'Co-operative' as a proper noun and not as a descriptive adjective. It is suggested that such a change would more clearly identify the different and unique business structure and operation of the co-operative.

- 1.2 Should the legislation allow for more than one worker to be elected to the board of a co-operative and if so, under what circumstances?

Generally it was thought that this should only be permitted in the case of industrial and worker co-operatives.

It was held that any member should be eligible to become a director.

One group thought matters like this should be provided for in model rules and leave it up to the particular co-operative.

Producers - Trading - Marketing Working Group

In general, it was considered there should be no maximum number of directors specified in new legislation.

- 1.3 Should it be automatic that each co-operative is required to establish a board, or should alternative arrangements be possible and if so under what circumstances?

Producers and Trading Societies have been operating for many years using boards of directors and it was considered that this type of control is essential to this type of co-operative business.

However, a view was commonly held that emerging and new styles of co-operative may well be interested in different types of arrangements.

This underlined the need for new legislation to have in-built flexibility to cater for a range of co-operative needs, and to acknowledge differences in scale and objects between co-operatives.

In this regard one group considered that any new legislation should stipulate responsibilities for members of co-operatives.

- 1.4 Should the legislation allow for the possibility of increasing the power of general meetings over directors if so desired by the membership?

One view expressed at one meeting was that the principle of one member one vote is inflexible. Others agreed with the International Commissioners who reviewed Co-operative Principles in the 1960's who considered today's trading and funding conditions require some flexibility within co-operative limitations. This is particularly so in highly capitalised co-operatives with trading and non-trading members into which the corporate sector could burrow.

- 1.5 Should there be restrictions placed on the distribution of residual assets, and if so under what circumstances?

A commonly expressed view was that assets should be revalued periodically to take into account the effect of inflation. Capital created by such replaced revaluation belongs to the members and should be distributed equitably as bonus shares to preserve the relationship of value contributed by older members, as compared to that contributed by newer members.

Producers - Trading - Marketing Working Group

- 1.6 Should there be restrictions or requirements for the distribution of surplus and if so what should these be?

One view was that co-operatives could be discouraged from paying rebates etc in the start-up phase.

An alternative to rebates and surplus distribution is to put funds into a reserve for future use.

A different opinion indicated that as it was the members who had achieved the surplus, the membership should benefit individually.

The current % limitation on dividend distribution was generally regarded as being satisfactory.

"Dry" shareholders are a problem for producers co-operatives. Paying unclaimed monies into consolidated revenue is not appropriate. There should be a "buy-back" capacity, allowed for in previous legislation, but which was deleted from the 1981 Act. It should be reintroduced, so that a co-operative could hold up to 5% of its shares, at any one time.

Equity funding/sharing is supported by one group. For example, conversion of rental housing to home ownership, where self-help labour was contributed.

- 1.7 Other Comments

The groups with whom discussions were held included Co-operative Companies and views were expressed that the definition of "co-operative" in the Companies (Victoria) Code be amended.

- 1.7.1 Any new legislation for co-operatives should encourage Co-operative Companies to register under the Co-operation Act.
- 1.7.2 Are legislative changes possible to provide better access by co-operatives to credit union funds?
- 1.7.3 If co-operatives do not meet their responsibilities, deregistration should follow.
- 1.7.4 The concept of "bonus shares" should be introduced, in relation to distribution from revalued assets.
- 1.7.5 Taxation law as it affects co-operatives should be reviewed, particularly in the start-up phase where taxation concessions could be considered as a desirable adjunct to government stimulation for co-operative development.

Producers - Trading - Marketing Working Group

1.7.6 Co-operatives should not have to obtain the Registrar's consent to distribute surplus funds to other co-operatives (eg. as bushfire/flood relief). Perhaps directors could have this responsibility.

1.7.7 The present indefinite audit appointment provisions should be rescinded to allow for annual appointments.

One suggestion was the establishment of a central audit system, operated under the auspice of the peak co-operative organisation.

1.7.8 A view expressed at the Melbourne meeting was that the maximum 20% shareholding currently available to any one member could be too high.

1.7.9 Current restrictions of the Companies (Victoria) Code on the powers of Co-operative Companies to make loans/advances to producers/suppliers/members discriminate against the member who is also a director. Modification is sought to allow Co-operative Companies to treat supplier member directors in exactly the same way as other supplier members in this regard.

2. STIMULATION OF CO-OPERATIVE DEVELOPMENT

2.1 Should co-operative development be based on co-operative philosophy and principles?

Yes

2.2 How is it possible realize this?

Overall, the feeling among representatives from the producers/trading area is that there is widespread ignorance of co-operative philosophy principles and practice, across the co-operative sector and in the community as a whole.

The Morwell meeting considered that overall, there was a lack of incentives to encourage co-operation.

This raises the question of how to encourage

- (1) Co-operatives to co-operate amongst themselves. Whilst the Working Party was not consulting with Community or Credit Co-operatives, the example has been cited of Government guarantees to co-operatives of up to \$20m. which could be channelled through a co-operative financial resource.

Another suggestion concerned the need to enable relationships between general co-operatives and credit co-operatives to be improved.

Producers - Trading - Marketing Working Group

- (2) Stimulation of co-operative awareness could be generated in schools using Government guarantees to assist development of a co-operative project by those schools publicising among the students the operation of that co-operative in their institution.

Vastly improved education is essential if the benefits of co-operation are to be realized. This will require financial and other resources.

There could be a reciprocal basis for education funding between the co-operative movement and government, although the idea of an educational levy per se was both supported and opposed.

Co-operative education in theoretical and practical terms should form part of the secondary school curriculum. (Some representatives thought it should begin in primary school).

Rather than curriculum development, one meeting suggested the idea of a travelling "roadshow" to visit schools.

This is in addition to the obvious need for greatly improved education within the co-operative sector itself.

Co-operative education has a major role in combatting the trend towards business agglomeration and the concentration of power in a few hands.

Co-operative education should be seen as representing the co-operative sector as a viable alternative to both the private and public sectors.

- 2.3 To what extent do different types of co-operatives have different resourcing requirements and what is the impact of this one resourcing provisions?

It seems apparent that all types of co-operatives identify a need for improved educational and skill training resources.

The level of courses, subjects required to be covered and the range from basic through to the more complex, would depend not only on the type of co-operative but also on its size and length of establishment.

Training for directors was identified as a specific area of need.

Producers - Trading - Marketing Working Group

Finance, or more specifically access to adequate initial working capital and/or sources of funds was considered to be a significant resource requirement.

In regard to government funding for new co-operatives, eg Workers Co-operatives, two views emerged.

- * One considered that grant funding was inappropriate and undermined the need for co-operatives to work like any other business in the market place.
- * A different view felt that seeding money for new enterprises could be a positive step.

It was generally agreed that government loans to co-operatives were appropriate. Further, if government were prepared to assist co-operatives by guaranteeing loans, this would help to breakdown the stigma which still attaches to these co-operatives, by encouraging member equity.

2.4 What kind of infrastructure should be established to assist the development of different types of co-operative?

The Registrar's proposal for restructuring of the co-operative sector by establishing a Victorian Co-operatives Council to replace the Co-operative Societies Advisory Council was considered. The V.C.C. would have a membership structure which reflected the range of styles of co-operative.

There was overall support for a non-government controlled co-operative sector based on self-regulation but with some government representation.

A restructured Co-operative Societies Advisory Council, whose present terms of reference are appended at Appendix 'A', with a restructured Co-operative Federation of Victoria whose legal powers and objects as currently defined in the Co-operation Act 1981 are appended at Appendix 'B', was suggested.

A chart outlining a possible restructured co-operative administration and organisation is appended at Appendix 'C'.

2.5 The Image of Co-operatives.

Most groups considered that the co-operative movement, in general, has a poor public image.

Producers - Trading - Marketing Working Group

A range of measures were suggested as an antidote:

- * The Minister responsible should espouse co-operative principles.
- * There should be a Ministerial portfolio of Housing and Co-operatives - if that is the department to which administration of co-operatives is allocated - to clearly identify the relevant Minister responsible for administration of this sector of the economy.
- * The Registrar's Office should have its particular letterhead. (The MOH letterhead ignores the co-operative movement).
- * There should be a "co-operatives" listing in the phone book.
- * It was generally considered that the current situation of dual Ministerial responsibility for the co-operative sector should be rationalised.

Broad support exists for the introduction of subsidiary co-operatives and for corporate membership in addition to individual membership (Note that the Camperdown meeting was opposed to corporate membership).

3. Government Involvement in Co-operative Development.

3.1 Should the government directly or indirectly fund co-operatives?

It was generally agreed that co-operatives should aim to become viable business enterprises. To this end fostering dependence on a paternalistic government is to be avoided.

Co-operatives which serve a social or community service would rightly expect this to be recognised and to receive income accordingly (on a "user pays" basis) to cover costs. In such cases government would effectively be a customer of the co-operative, employing the co-operative to undertake a particular task, which it may otherwise have to provide on a more direct basis.

As previously stated (see 2.2), the producers and trading representatives were opposed in principle to the government making grant funds available to co-operatives, as this undermined the self-help philosophy of co-operation.

Producers - Trading - Marketing Working Group

However there is strong support for loans on whatever terms, and in particular, the use of "seeding" money in the start up phase.

3.2 What should be the basis for direct or indirect funding of co-operatives?

Direct "loan" funding should be on the basis of establishing viable business ventures offering opportunities for employment and/or to satisfy an area of need.

Indirect spending should be targetted towards education, skill development and promotion.

3.3 What should be the link between funding bodies of co-operatives and the office of the Registrar of Co-operatives?

Government should not be involved in direct funding of co-operatives. Any funding programme within Government policy should be contracted out to the relevant approved body for administration with full accountability to Government.

The present system of two Ministers being involved in Co-operative funding control and administration was considered unsatisfactory and a rationalisation of the system was recommended.

The role of the Registrar is generally perceived as regulatory.

Considerable concern was expressed that, if the Registrar's Office was to become directly involved in such areas as funding, the results would not be in the best interests of the co-operative sector or individual co-operatives.

Another common attitude was that of generally keeping government at arm's length from the co-operative sector.

This is not to say that the Registrar's Office should not have a significant role, in particular it was felt that some of the more esoteric areas of the inspectors function could be replaced by a more positive promotional and counselling function.



ANNO TRICESIMO
ELIZABETHAE SECUNDAE REGINAE
VICTORIA

Co-operation Act 1981

DIVISION 3—ADVISORY COUNCIL

218. (1) The Minister may constitute a Co-operative Societies advisory council consisting of not more than six members. Constitution
of Advisory
Council.
No. 6225 s. 93.

(2) Of such members—

- (a) one shall be the registrar who shall be the chairman of the advisory council;
- (b) one shall be an officer of the Treasury of Victoria nominated from time to time by the Treasurer of Victoria (whether generally or in respect of any particular meeting);
- (c) two shall be persons appointed by the Minister for such respective terms as the Minister thinks fit from a panel of five names submitted to the Minister by the Co-operative Federation of Victoria;
- (d) the remainder shall be persons appointed by the Minister for such respective terms as the Minister thinks fit.

(3) The Minister may at any time remove any appointed member of the advisory council.

(4) It shall be the function of the advisory council—

- (a) to submit recommendations to the Minister with respect to—
 - (i) any action to be taken for promoting encouraging and assisting in the formation of societies;
 - (ii) proposals to improve the methods of operation of societies;
 - (iii) proposals relating to financing the operations of societies and, in particular, to the execution of guarantees under this Act, including the terms and conditions to be inserted therein and any other action to be taken for the protection of the Consolidated Fund in relation thereto; and
 - (iv) such other matters as are prescribed or as are referred to the advisory council by the Minister; and
- (b) to exercise such other powers and to perform such other duties as are conferred or imposed on the advisory council by this Act or by the regulations.

(5) Subject to this Act and the regulations the advisory council shall regulate its own proceedings.

(6) A quorum



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VICTORIA

Co-operation Act 1981

No. 9718

Formation,
objects and
powers of
federation.
No. 6225 s. 27.

49. (1) A federation may be formed by any ten or more associations, societies, authorized societies or companies or any combination of them but so that—

- (a) if a federation is formed comprising societies only those societies shall not be all of the same kind; and
- (b) the federation is not comprised solely of authorized societies or companies or authorized societies and companies only.

(2) In sub-section (1) and in section 58 “authorized society or company” means a society registered under any other Act of Parliament or a body incorporated under any other Act of Parliament which society or body is certified by the registrar to be of a substantially co-operative character.

(3) A federation may be formed for all or any of the following objects, that is to say:

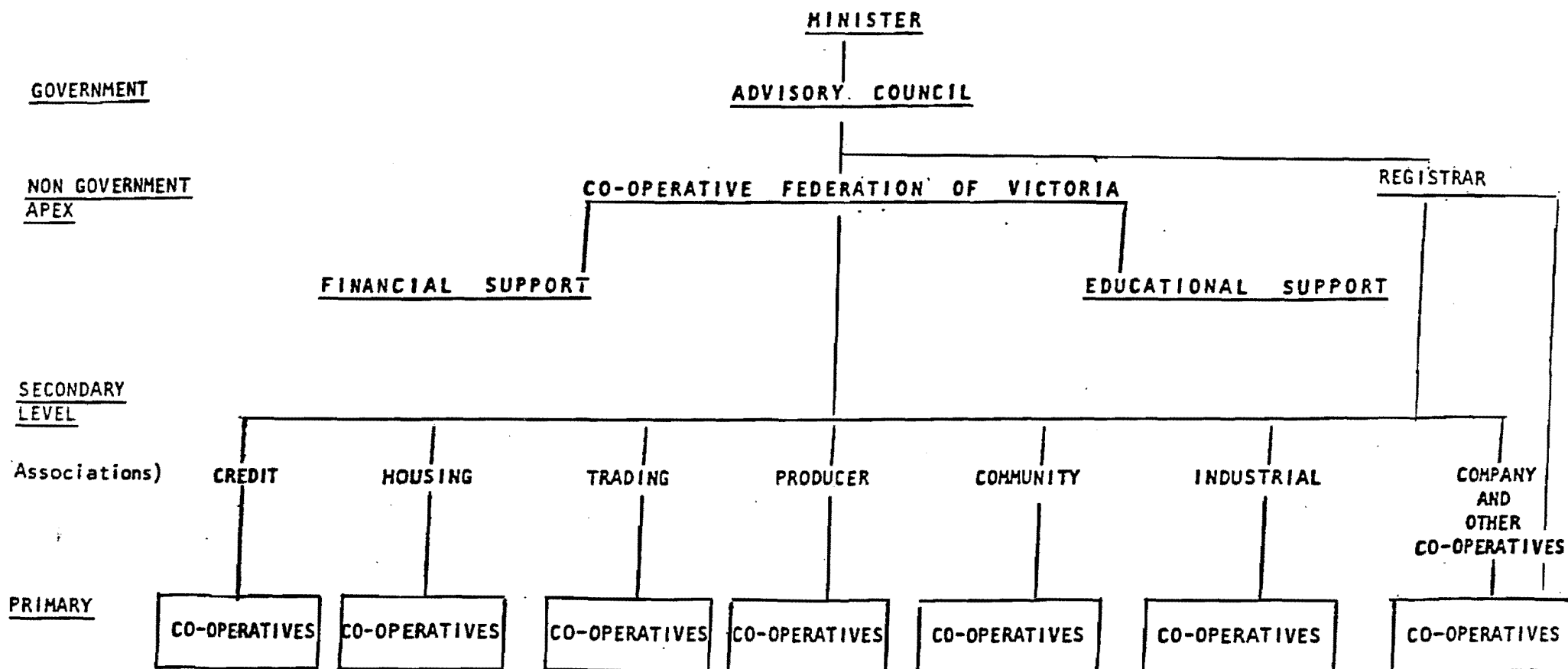
- (a) To promote co-operation for the improvement of conditions of rural or urban life and to encourage and assist in the formation of co-operative societies;
- (b) To supervise the affairs of its component bodies or of the component bodies of those bodies, and in particular the audit of their accounts;
- (c) To render services to and act on behalf of its component bodies or of the component bodies of those bodies in such ways as may be specified in or authorized by its rules, or as may be prescribed by regulation.

(5) A federation may do all or any of the things, if specified in or authorized by its rules, as incidental to its objects, that a component association or a component society might do.

(6) A federation may, unless otherwise provided by its rules—

- (a) raise money on loan for any objects of the federation;
- (b) receive money on deposit;
- (c) give credits or funds or make advances or loans to its component associations and societies;
- (d) give guarantees or indemnities in respect of credits, loans, advances or funds given or made to its component associations or societies.

PROPOSED STRUCTURE FOR ORGANISATION OF CO-OPERATIVE SECTOR IN VICTORIA



OTHER SUBMISSIONS

COMMUNITY ADVANCEMENT SOCIETIES
COMMUNITY SETTLEMENT SOCIETIES
- ATTITUDE SURVEY

INTRODUCTION

There are over 1000 Community Advancement Societies registered under the Co-operation Act.

Community Advancement Societies as the name implies, generally have as objectives the development or improvement of a community service. The co-operatives registered fall into categories such as school co-operatives, sporting co-operatives, scout groups, child care co-operatives and similar.

Community Settlement Societies are usually land-sharing communities based in rural areas. The Registry has published a discussion paper, "Sustainable Community Settlement Society" Feasibility Study, which acknowledges the resurgence of interest in this type of lifestyle (ISBN 0 7241 4900 7).

It was not practicable to arrange round table discussions with such a large number of diverse groups and this led to the use of a questionnaire to gain the views held by Community Advancement and Settlement Societies in relation to legislative changes, stimulation of co-operative development and the government involvement in co-operative development.

150 Community Advancement Societies and 2 Community Settlement Societies responded to this questionnaire, representing a response rate of 15%.

Following are the results of the questionnaire including three tables and a narrative.

1. DO YOU BELIEVE YOUR CO-OP NEEDS TO BE INCORPORATED?

The responses for this question were almost evenly divided. 47% of the survey group answered "yes" to this question whereas 43% of the survey group did not believe that their co-ops need to be incorporated. 10% of the survey group chose not to answer this question and were categorised as having no comment/uncertain.

2. DOES THE CO-OPERATION ACT PROVIDE A SUITABLE LEGAL ENTITY FOR YOUR GROUP?

In answering positively to this question 73% of the survey group agreed the Co-operation Act provides a suitable legal entity for their group. 12% disagreed and answered that the Co-operation Act did not provide a suitable legal entity for their group. 15% of the survey group were either uncertain or did not answer.

3. WOULD YOU PREFER TO REGISTER UNDER LEGISLATION WITH LESS STRINGENT STATUTORY REQUIREMENTS?

It would seem that each co-op that answered "no" to Question 2 above would also answer "yes" to Question 3 and a similar trend would occur. But, it appears that this did not happen. 65% of the survey group answered "yes", they would prefer to register under legislation with less stringent statutory requirements. If this figure were to follow Question two's trend it should be a much lower percentage i.e. around 12%.

29% of the survey group answered "no", stating that their co-ops were willing to be registered under the present legislation. 6% of the survey group had no comment or were uncertain.

4. DO YOU WISH TO MAKE ANY COMMENT ON ANY OF THE FOLLOWING MATTERS?

4.1. Board of Directors.

This question had a small response. Those who responded were almost evenly divided as to the necessity of the BOD. Half believed the BOD is adequate/necessary, the other half believed the BOD to be unnecessary for their type of co-op i.e. it frequently occurred that the school co-ops felt that the BOD and many other issues to be unnecessary or superfluous as their school council could do the job.

Other responses included: - there should be limits on the time of and numbers on the BOD and also some co-op groups requested professional help.

4.2. Holding quarterly directors meetings.

This question had a larger response than Question 4.1. Only 9% of the co-ops that responded believed it to be necessary to hold quarterly directors meetings. The remaining 91% responded negatively by saying that quarterly directors meetings were unnecessary and a waste of time. Others felt it would be better to hold six monthly or annual directors meetings or that they should only be held when business is at hand.

4.3. Holding Annual General Meetings.

Of the co-ops that responded to this question 10 answered that AGM's were unnecessary, 6 more argued that their members are uninterested in attending AGM's. On the other hand 12 co-ops felt that AGM's were essential in the running of their co-op. There were 3 other miscellaneous responses.

4.4. Sending notices of meetings and annual audited accounts to members.

45 co-ops responded to this question, 5 of the co-ops said that it was necessary to send notices of meetings and annual audited accounts to members. The remaining 40 co-ops stated that it was an unnecessary practice to send notices or that they should be placed in a central location or that they are available on request. Others said that it was too expensive or that it was too time consuming.

4.5. Maintaining registers.

10 co-ops out of the 17 who answered this question said that it was necessary to maintain registers for the smooth running of their co-op. 6 co-ops said that it was unnecessary for their co-op and one co-op required professional help for the standard of work needed.

4.6. Submitting Annual Returns to the Registrar.

Like Question 4.5 the majority (17 co-ops of 20) believed this to be a necessary practice. Of these 17 co-ops 3 requested an extension of time for the submission date and 4 requested professional help. The remaining 3 co-ops thought it to be unnecessary to submit annual returns to the Registrar.

4.7. Purchasing a Fidelity Guarantee Insurance (FGI) policy.

Of all the questions in item 4 this question had the greatest response. 78 co-ops responded, which is just over half of the survey group. It seems that this was the question the co-ops felt most strongly about. Approximately 85% of the co-ops that responded said purchasing a Fidelity Guarantee Insurance policy was unnecessary and/or too expensive for their co-ops needs (i.e. they did not handle large enough funds to warrant a FGI policy). The remaining 15% of respondents thought that FGI was necessary or they had other comments to make (i.e. one group did not know what FGI was).

4.8. Annual Audit being conducted by a licenced company auditor.

This question also had a large response. 60 co-ops answered this question, approximately 40% of the total survey group. Only 6 co-ops out of 60 considered it necessary for the annual audit to be conducted by a licenced company auditor. The other 54 co-ops said that it was unnecessary and/or too expensive and/or preferred the audit to be conducted by another professional i.e. a qualified accountant or bank manager.

4.9. Keeping a proper double entry record of accounts.

84% of the co-ops that responded to this question said it was unnecessary to keep a proper double entry record of accounts. Among this group most said they would prefer a simpler method i.e. a cash book. Others said that keeping a double entry record of accounts was too time consuming. The remaining 16% of respondents said that it was necessary to keep a proper double entry record of accounts.

4.10. Being subject to inspection by the Registrar of Co-operative Societies.

Only 14 co-ops commented on this question and were equally divided in their response. 7 co-ops said that it was necessary to be subject to inspection by the Registrar of Co-operative Societies and 7 said it was unnecessary.

- 4.11. Being subject to penalty and prosecution for statutory non-compliance.

Of the co-ops who responded to this question 20% said that it was necessary to be subject to penalty and prosecution for statutory non-compliance. The other 80% said it was unnecessary, adding that their co-ops were too small to warrant this kind of action or that their volunteers were amateurs and thus slow workers and time limits could not be met.

- 4.12. Sending notices to the Registrar eg. change of address.

Only a small proportion of the survey group commented on this question. 9 of the co-ops answering said it was necessary to send notices to the Registrar. 5 co-ops said that this was not necessary. 2 co-ops made other miscellaneous comments.

- 4.13. Keeping Minutes.

Again only a small proportion of the survey group commented on this question. 7 out of 10 responses said it was necessary to keep minutes while the other 3 said it was unnecessary.

5. GENERAL COMMENTS. IN PARTICULAR ANY IMPROVEMENTS OR CHANGES IN GOVERNMENT LEGISLATION OR ADMINISTRATION THAT YOU WOULD LIKE TO HAVE CONSIDERED.

61 co-ops responded to this question. This figure is 40% of the total survey group. From the comments obtained 6 categories of response were found. The first category said that no changes were necessary, this consisted of 8% of the 61 co-ops who responded, the remaining 92% said that improvements or changes were necessary.

28% of the respondents said there needed to be simplification of legislation/administration.

22% wanted consideration for exemption from laws/requirements as they were only formed to raise a loan and to pay off that loan and very little other business occurs.

18% of the co-ops who responded commented that their co-op was too small to warrant stringent laws/requirements.

16% wanted limits placed on Fidelity Guarantee Insurance. i.e. many said that there should be no FGI on amounts less than \$2000.

8% commented the accounting/auditing system was too expensive/elaborate for their needs.

QUESTION	RESPONSE %		
	Yes	No	Uncertain/ No Comment
Q.1 Do you believe your Co-operative should be incorporated?	47%	43%	10%
Q.2 Does the Co-operative Act provide a suitable legal entity for your group?	73%	12%	15%
Q.3 Would your group prefer to register under legislation with less stringent statutory requirements?	65%	29%	6%

QUESTION 4

DO YOU WISH TO MAKE COMMENT ON ANY OF THE FOLLOWING MATTERS.

4.1. BOARD OF DIRECTORS	NECESSARY	UNNECESSARY	PLACE LIMITS ON TIME/NOS.	NEED PROF. HELP		
	5	6	3	2		
4.2. HOLDING QUARTERLY DIRECTORS MEETINGS			WASTE OF TIME	PREF ANNUAL MEETINGS	PREF 6 MONTHLY	ONLY WHEN BUS IS AT HAND
	5	22	6	9	4	7
4.3. HOLDING ANNUAL MEETINGS			PEOPLE ARE UNINTERESTED	OTHER		
	12	10	6	3		
4.4. SENDING NOTICES OF MEETINGS & ANNUAL AUDITED ACCOUNTS TO MEMBERS			PUT IN CENTRE LOCATION	AVAIL. ON REQUEST	TIME CONSUMING	EXPENSIVE
	5	14	7	8	3	8
4.5. MAINTAINING REGISTERS			NEED PROF. HELP			
	10	6	1			
4.6. SUBMITTING ANNUAL RETURNS TO THE REGISTRAR			NEED TIME EXTENSION	NEED PROF. HELP		
	10	3	3	4		
4.7. PURCHASING A FIDELITY GUARANTEE INSURANCE POLICY			EXPENSIVE	OTHER		
	7	32	34	5		

QUESTION 4 (cont'd)

4.8. ANNUAL AUDIT BEING
CONDUCTED BY A
LICENCED COMPANY
AUDITOR

		EXPENSIVE	OTHER	PREF OTHER PROF. EG. QUAL. ACCOUNTANT
6	8	17	2	27
4.9. KEEPING A PROPER DOUBLE ENTRY		TIME CONSUMING		PREF. MORE SIMPLE METHOD EG. CASH BOOK
5	7	4	3	12
4.10. BEING SUBJECT TO INSPECTION BY THE REGISTRAR OF CO-OP SOCIETIES				
7	7			
4.11. BEING SUBJECT TO PENALTY & PROSECUTION FOR STATUTORY NON- COMPLIANCE		TOO SMALL TO WARRANT THIS		VOLUNTEERS ARE SLOW WORKERS
5	2	6	5	7
4.12. SENDING NOTICES TO THE REGISTRAR EG. CHANGE ADDRESS				
9	5		2	
4.13. KEEPING MINUTES				
7	3			

QUESTION 5

General comments, in particular any improvements or change in Government Legislation or administration that you would like to have considered.

Response	No	% of Total
1. Simplification of Legislation/Administration	17	28%
2. Accounting/Auditing system too elaborate/too expensive	5	8%
3. Place limits on FGI	10	16%
4. Co-operative too small to warrant stringent laws/requirements.	11	18%
5. Only formed for loan raising should be exempt from laws/requirements.	13	22%
6. No changes necessary	5	8%
Total	61	100%

SUBMISSION TO:

T H E M I N I S T E R I A L

ADVISORY COMMITTEE ON CO-OPERATION

FROM:

THE CO-OPERATIVE FEDERATION OF VICTORIA LTD.



CO-OPERATIVE FEDERATION OF VICTORIA LTD.

225 Swanston Street, Melbourne, Victoria 3000, Australia

Telephone: (03) 663 1674

Postal Address: G.P.O. Box 5211AA, Melbourne, Victoria 3001, Australia

29TH APRIL 1985

The Co-operative Federation of Victoria Ltd. (C.F.V.)

has been reviewing its structure, functions and resources with a view to developing a corporate plan for the next few years.

This has taken into account much of what has been discussed by M.A.C.C., in a way seizing the initiative and commencing the implementation process. The C.F.V. is seeking to establish the essential structure, and resources that will be necessary to service an expanded co-operative sector and in the provision of comprehensive advice on co-operative matters.

This paper is intended to advise M.A.C.C. of this process and to seek comments and support. The actual implementation of the plan and projects outlined in this paper are dependent on resources and to the extent that resources in the short term are limited some assistance from government is sought.

Before addressing in detail the activities of the Co-operative Federation of Victoria the position of the C.F.V. must be put into context.

The following briefly outline our favoured structure of organisation for the Co-operative sector (diagram attached).

1. 'PRIMARY LEVEL'

This consists of individual co-operatives which, for convenience, could be grouped by industrial activity or common purpose.

These co-operatives are organised by citizens or organisations who chose to organise some activity on the co-operative model to provide benefits for themselves.

Individual co-operatives range widely in activity, size, degree of experience, legislative incorporation. All, however, demonstrate the principles of mutuality and self-help. (See section on Definition).

2. ASSOCIATIONS (SECONDARY LEVEL)

Associations are formed by groups of co-operatives again utilising the principles of mutuality and self-help to provide common services and activities on a collective basis.

Through these Associations activities and services required by individual co-operatives can be developed which individually would be uneconomic or impractical.

The activities of Associations are generally "industry" specific directed towards the immediate needs of their members.

3. FEDERATION (TERTIARY LEVEL)

Federations are developed by groups of co-operatives and associations from various industry sectors coming together to address common and collective needs.

The organisation and activities of Federations are very similar to that of Associations but are not "industry" centered. Federations are generally concerned with the "co-operative" needs and nature of co-operatives rather than any specific "industry" related need.

Federations operate on the basic principles of self-help, mutuality and pooled resources.

Activities which are uneconomic at the Association level may become possible at the Federation level.

4. On an international and interstate level co-operatives are linked by various Federations, or Associations, creating an international network for the movement.

5. 1 - 4 above can be considered the "Co-operative Movement" proper. We must, however, address the various agencies and government bodies that exist to service, monitor and regulate co-operatives.

(a) The Registry

This is the principle regulatory body, responsible for various legislative activities etc. as prescribed by the Co-operation Act 1981. The role of the Registry

need not be confined to that of enforcement but should also extend to the development of resources to foster new co-operative development. Their centre of focus would be legal and technical aspects of registration and formation.

(b) Statutory Committees

e.g. Co-operative Societies Advisory Council

Credit Societies Guarantee Fund Advisory
Committee

Several bodies exist to advise or undertake various duties as prescribed by law. These bodies are generally independent of each other and deal with either industry specific matters or specific issues,

OR Victorian Co-operative Council

Via the M.A.C.C. process some discussion has been made concerning the establishment of a Victorian Co-operative Council which would generally provide advice on the Victorian Co-operative sector to the Minister.

The C.F.V. would like to put forward a view that such a council could be established by utilising a reformed "Co-operative Societies Advisory Council" with an enlarged membership with members drawn from all levels of the movement, as well as from relevant professions.

The existing responsibilities and activities of bodies such as the CSGFAC etc. could be incorporated within the Council as standing committees, with "expert" members where necessary.

This would ensure a close relationship with the rest of the movement and allow comprehensive advice to be given to the Minister.

If activities, such as those of the Co-operative Development Unit of M.E.A.T. and of M.A.C.C. and any other department dealing with co-operatives could also be drawn under the umbrella of the V.C.C. (via ad hoc committee) significant progress would be made in strengthening and drawing the movement together. Various efficiencies and economies should also result from this much simplified process, making interchange of information easier and allowing for co-ordination of any development initiatives.

As the V.C.C. is envisaged as an advisory body not a "service delivery" no specific staffing requirements would be necessary other than that which might be required for any standing committee functions. The Registry in general would provide the secretariat and other resources.

Whilst a V.C.C. would be a source of advice to the Minister it in no way could carry a mandate to negotiate on behalf of the movement.

Negotiations and other interaction between government and the co-operative sector should be via the movement's own structure utilising the various Associations and the Co-operative Federation of Victoria.

In the organisation of the V.C.C. some provision for advice to be given to "other" ministries, as required, should be made as currently several ministers are involved with the co-operative sector.

6. MINISTER

The question of within which ministry should the co-operative sector be located has been raised. The appropriateness of the Ministry of Housing being questioned as many co-operatives do not operate in the housing sector.

This is a difficult question to consider. The C.F.V. is firmly of the belief that whilst co-operatives operate in various industries they should be regarded as a whole and not separated according to activity. To place, say, the registration and Inspectorate function in Corporate Affairs, monitoring of credit co-operatives under Treasury; housing societies under the Ministry of Housing; Worker Co-operatives under the Ministry of Employment & Training etc. would create division within the movement and significantly inhibit its development.

The C.F.V. believes that the co-operative sector has great potential and that it should be regarded as a specific component of a Minister's portfolio. We favour the retention of the Ministry of Housing as the appropriate ministry as they have already developed extensive experience in this area. We would, however, like to see the movement recognised by inclusion of the word 'Co-operatives' or 'Co-operation' in the Minister's portfolio title.

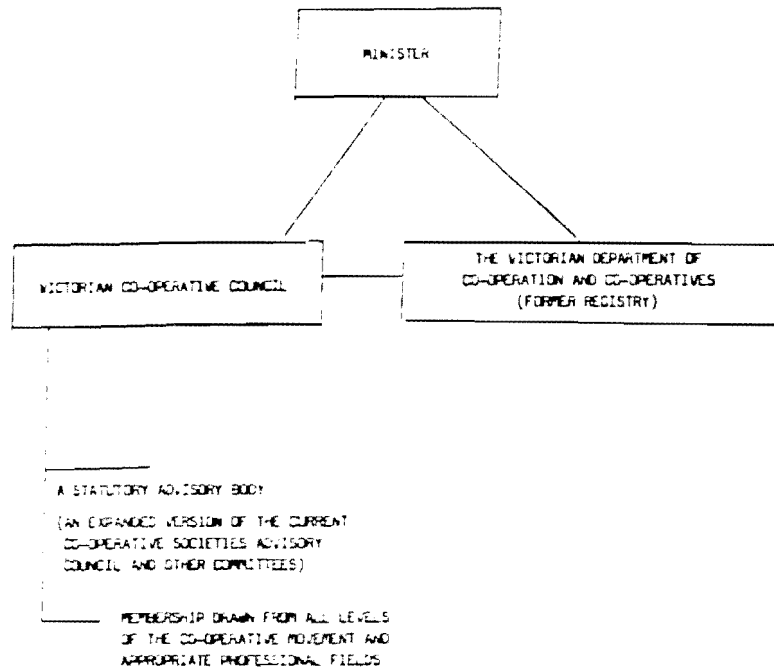
Should a transfer from the Ministry of Housing be contemplated, we would request that the "co-operative dept." should be maintained as a distinct entity and not absorbed within other functional areas.

Regarding the present title of the Legal and Registry Division.

This we believe could be changed to include the word "Co-operative" e.g. "The Victorian Department of Co-operation and Co-operative Development". Such a title more readily identifies their activities particularly to people not already aware of the systems.

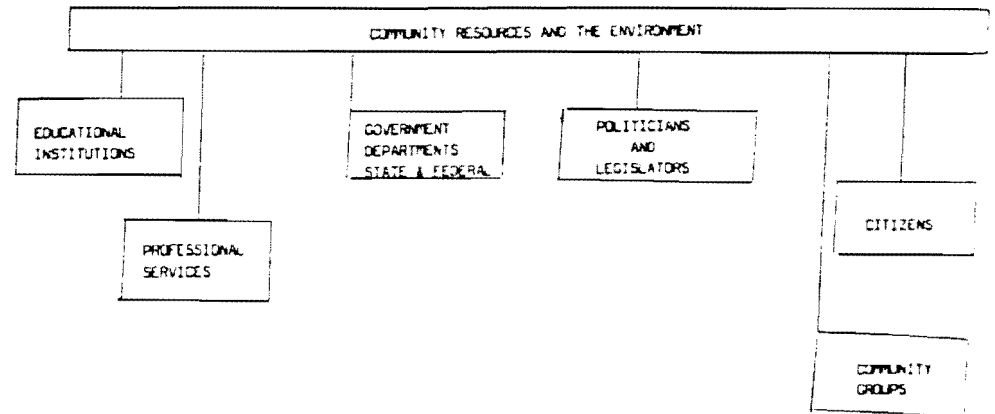
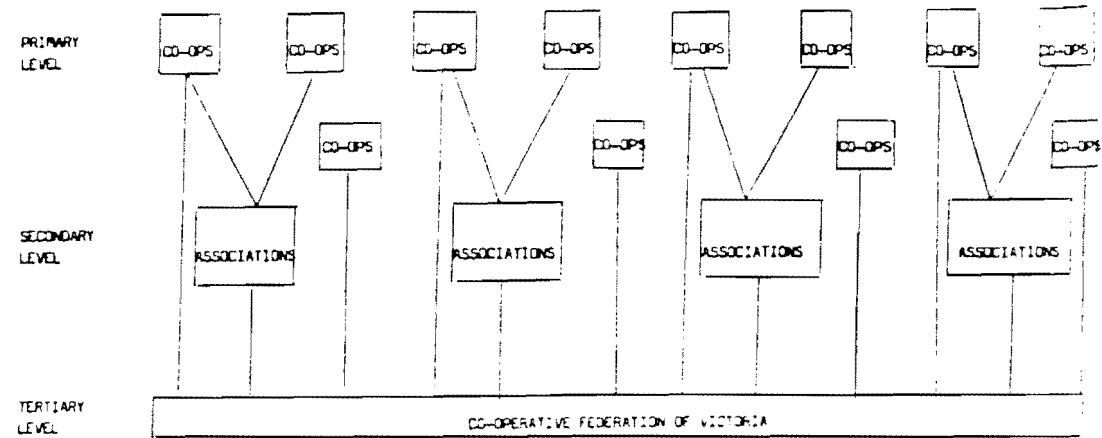
FAVOURD STRUCTURE FOR ORGANISATION OF CO-OPERATIVE SECTOR IN VICTORIA

GOVERNMENT CO-OPERATIVE SECTOR



CO-OPERATIVE SECTOR

BY FREE AND OPEN ASSOCIATION



DEFINITION OF A CO-OPERATIVE

The C.F.V. believes that any definition must be centred around the six "International Principles" of Co-operation. To define co-operatives in any way that would conflict with these Principles would set Victoria apart from the world movement. But there are limits to the extent to which the Principles can be adopted as a legislative definition.

The Principles have been drawn from a study of successful co-operation throughout history and in many social and economic environments. The Principles set down the most common denominators which have distinguished co-operative organisations from other forms of organisation but throughout their wording the Principles admit the need for diversity, flexibility and evolution by the deliberate use of the word "should" in preference to the use of the restrictive word "must".

The definition proposed therefore sets out as a preamble the International Principles of Co-operation as adopted in 1966 by the International Co-operative Alliance, with a general requirement that the rules of a Co-operative generally reflect such Principles. The specific legislative definition then proposed is drawn from Division 9 of the Taxation Assessment Act with appropriate expansion to include Credit Co-operatives, Worker Co-operatives and ~~Housing~~ Co-operatives.

The C.F.V. offers the following as a suitable definition:

A Co-operative is an incorporated body:

- (A) The rules of which generally reflect the following Internationally adopted Principles of Co-operation :
 - (1) Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.
 - (2) Co-operative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in

decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

- (3) Share capital should only receive a strictly limited rate of interest, if any.
- (4) Surplus or savings, arising out of the operations of a society belong to members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows :

- (a) By provision for development of the business of the Co-operative;
 - (b) By provision of common services; or
 - (c) By distribution among the members in proportion to their transactions with the Society.
- (5) All co-operative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles of techniques of Co-operation, both economic and democratic.
 - (6) All co-operative organisations, in order to best serve the interests of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national and international levels; and

(B) The rules of which specifically :

- (1) Limit the number of shares which may be held by or on behalf of any one shareholder.
- (2) Prohibits the quotation of the shares for sale or purchase at any stock exchange or in any other public manner whatsoever,

and includes a Co-operative which has no share capital and which in either case is established for the purpose of carrying on any business having as its primary object or objects one or more of the following:

- (a) The acquisition of commodities or animals for disposal or distribution among its shareholders.
- (b) The acquisition of commodities or animals from its shareholders for disposal or distribution.
- (c) The storage, marketing, packaging or processing of commodities of its shareholders.
- (d) the rendering of financial or other service to its shareholders.
- (e) The acquisition of property for occupancy of its shareholders.
- (f) The obtaining of funds from its shareholders for the purpose of making loans to its shareholders to enable them to acquire land or buildings to be used for the purpose of residence or of residence and business.
- (g) The application of personal labour of its shareholders for the production, storage, distribution and marketing of goods and services.

The attention of M.A.C.C. has been drawn to the historic development of Co-operatives in Victoria and the fact that there are major co-operatives which have developed under the Companies Code (at the time of the establishment of these co-operatives there was no Co-operation Act).

We believe that these Co-operatives with their experience have much to offer M.A.C.C. and its current activities. They reflect the impact of various economic, social, financial and commercial factors that have existed during the course of their development (30 to 70 years). A study of their operations we believe will highlight the need for appropriate resources and structures for developing co-operatives as many of the challenges and issues faced by these long established co-operatives will be faced by co-operatives currently being formed.

We believe a study of these co-operatives will show a genuine adherence to the spirit behind the co-operative movement. The C.F.V. is concerned that many of these co-operatives which have been the backbone support of the Victorian Co-operative Movement are now being considered by some as "non co-operative".

The C.F.V. believes that it is important that any definition accommodate the diversity that exists within the co-operative movement and fully recognises the financial, economic and commercial needs of modern business as well as the social and democratic needs of co-operatives. There is also the need to recognise the historic development of Co-operatives in Victoria and to adequately accommodate "Co-operatives" that have developed under the Companies Code for various reasons.

Organisations seeking incorporation under the Co-operation Act should require the Registrar's approval. (Attached as an Appendix are some criteria used in Manitoba, Canada, to assess applications).

POSITION, ROLE AND FUNCTIONS OF THE CO-OPERATIVE FEDERATION OF VICTORIA

The C.F.V. sees the role as being a central body in the movement which can bring together co-operatives from different sectors to address matters of common concern, develop facilities to meet common needs and generally support and promote the development of the co-operative model.

The proposed role of the C.F.V. is in harmony to that being developed for Associations but the centre of focus is not "industry specific" but "co-operative" biased.

The activities of the C.F.V. could be grouped under two areas -

1. Common Services and Facilities

In much the same way that industry specific services are developed at the Association level some services are more appropriately facilitated at a Federation level, either because they are common to all sectors and/or that they only became efficient and economic at a large scale of operation.

Example of such developments could be -

- Insurance schemes, superannuation.
- Educational resources and facilities.
- Promotional facilities/resources.
- Banking. Business and professional services.

The C.F.V. should not seek to maintain control over these various facilities or services within its own organisation. The C.F.V. would not have the specialist skills required and there would be some real danger that the service would absorb available resources, establishing conflicting demands etc. within the C.F.V.

The model to be followed, ^{we} believe, is to use the C.F.V. as a temporary umbrella during the establishment phase. The various co-operatives interested in any particular service or facility could come together, establish a specific committee and begin the process of developing their project. Once operational, the project should seek to operate as an independent organisation, preferably a co-operative in its own right.

The C.F.V., during the establishment process, can offer administrative and other forms of support.

The benefits of this method include -

- (1) specific use of expertise
- (2) clarification of roles and avoidance of conflicts regarding priorities;
- (3) Co-operatives not interested in particular ventures need not be involved;
- (4) no cross subsidies - benefits of each venture would be returned more directly to each participating co-operative;
- (5) avoids the necessity for an intending user of a service to be a member of a specific association or Federation.

Membership of the Federation would be voluntary in that no member would have to be a member because of some dependence, economic or practical on a particular service.

Resultant from the above would be a 'small' scale C.F.V.

- specialist staff etc. being recruited for specific purposes.

Of the projects currently being considered the establishment of a formalised education and training facility for co-operatives is the most pressing. This is required, not only to service the existing co-operative sector but also to assist in the development of the co-operative model.

2. The second area of C.F.V. activity is as the "voice" of the Co-operative movement.

Major tasks of the C.F.V. are -

- (1) to ensure improved awareness and understanding of the Co-operative concept among
 - (a) Government representatives & Legislators
 - (b) Member organisations of the Federation
 - (c) Government Departments
 - (d) Selected business and community organisations
 - (e) the general public and the media
- (2) Promote the exchange of information and encourage intertrading between member organisations of the Federation.
- (3) To improve the availability, accuracy, and timeliness of information relevant to the Victorian Co-operative sectors operations and development.

- (4) To assist member organisations in their relations with Government.
- (5) To consider and recommend legislative reform for the benefit of members and to watch the interests of member organisations in legislative matters generally.
- (6) To make representations to Government and its agencies on issues affecting the Co-operative movement (acting appropriately with member co-operatives or industry associations).
- (7) To promote the formation of new Co-operatives and to obtain and provide advice on legal, accounting, administration, financial and other problems and matters on which its advice and assistance may be sought.
- (8) International/Interstate Liaison
To liaise with other interstate and international co-operative organisations, establishing interchange of information and providing assistance to projects aimed at developing co-operatives in developing countries.

C.F.V. RESOURCES

The attached membership subscription list and financial statements illustrate the resources available to the C.F.V.

The C.F.V. operates essentially from its member subscriptions, approximately \$40,000 per annum, which covers essential administrative costs and the salaries of an executive officer and part-time secretary.

In order to address successfully the objects of the C.F.V. and to realise some of the potentials of the movement there is a real need to increase the basic level of resources available to the Federation.

It is felt that subscription rates cannot be increased. Already a few larger co-operatives carry the major burden of costs. The favoured strategy is, in fact, to recruit more members, thereby broadening the membership base, increasing resources and lessening the burden born by a few co-operatives.

As indicated earlier, there is no desire to create a large organisation, in the first instance increase of staffing to include a research/communications assistant for the executive officer is envisaged.

A medium/long term staffing of

- 1 - Executive officer
- 1 - Research administrative officer
- 1 - Communications/Education and Training Officer
- 1 - Secretary

can be envisaged as necessary.

The use of specific consultants and resources available from within the movement should be made to address particular projects from time to time supplementing the above base.

The process of widening the membership of the C.F.V. is complex and itself creates resource problems. Members are difficult to attract and existing resources are not adequate for a major recruitment program.

In recent years the majority of the resources available have, in fact, been directed towards government rather than outwardly towards the movement. Participation in government reviews, committees, making submissions etc., whilst very important activities of the Federation, have meant some neglect of other objectives. The small income received from government goes only a little way in addressing the problem created (\$2,500).

In addition to the continued involvement in various government initiatives, three major areas for activity have been identified. These are more outward looking and would assist in bringing more co-operatives into the Federation.

1. The development of a "Newsletter" directed at co-operatives, co-operative directors, co-operative members and general supporters of the co-operative concept.

It is believed that there is a need for improved communications at various levels and the need for a medium through which the co-operative model can be promoted.

A "Newsletter" designed so that it carries context relative to existing co-operatives as well as establishing co-operatives could address many of the current problems of awareness of the movement.

A suitable newsletter could provide resource materials to teachers to explain the model in schools and hence introduce the co-operative alternative at an early stage.

The newsletter, whilst distributed via the Federation's membership should also be available on a subscription basis to organisations and citizens sympathetic to the movement. This would significantly widen the circulation and assist in the education of the general public.

The establishment of a newsletter we believe can be accepted as part of the government's strategy for the promotion of co-operatives and as such could receive financial support, especially in the early establishment stages. Initially much of the context would relate to activities of M.A.C.C., legislative reform etc. The medium to long term aim should be for the costs to be born by the movement and via subscriptions.

There are good possibilities once a significant circulation is established for revenue to be earned via advertisements, particularly from firms and co-operatives servicing the movement. A newsletter could also be attractive to co-operatives which have no internal communications system with their members.

2. THE DEVELOPMENT OF AN ANNUAL CO-OPERATIVE CONFERENCE

The C.F.V. has annually held a conference attended by some 60-80 persons or delegates from member co-operatives.

It is felt that an annual conference which draws together co-operatives of all types can fulfil many useful purposes.

- (a) Improved inter co-operative relationships;
- (b) Improved public awareness of co-operatives and exposure of the co-operative model;
- (c) facilitate specific education and training workshops or seminars;
- (d) Improved communications between co-operatives and other business or government sectors;
- (e) provide a forum for exchange of ideas and concerns on an intrastate, interstate and international level.

3. THE DEVELOPMENT OF A MORE FORMALISED EDUCATION AND TRAINING FACILITY FOR CO-OPERATIVES, DIRECTORS, STAFF AND EMPLOYEES, TOGETHER WITH THE DEVELOPMENT OF RESOURCE MATERIALS FOR USE IN SCHOOLS AND THE GENERAL COMMUNITY

The research document prepared for M.A.C.C. on the education and training needs of co-operatives sets out the basic areas of concern and needs. The C.F.V. believes that it is important that the development of any "authority" needs to come from within the movement if it is to gain the support and commitment of co-operatives.

Many co-operatives, either independently or through their associations and the Federation, have invested significant

resources in the area of education and training and the C.F.V. believes that it is from that base that a formalisation of facility and courses should be developed.

The C.F.V. believes it appropriate for them to auspice a project aimed at drawing together the various co-operatives and associations on the issue of education and training. By commencing the process, greater interchange and uses of existing materials and courses should be experienced and the general concept of an "authority" canvassed.

There is also a pressing need to initiate a basic programme of courses for the education and training of existing co-operative directors, secretaries and managers that must not be forgotten.

The C.F.V. believes that by the employment of a specific resource worker in the area the two objectives outlined above would be achieved - and that this could again be considered as part of the government's strategy to implement the recommendations of the M.A.C.C. research document.

Incidental to these projects would be the drawing together of resource materials relating to co-operatives.

Currently various associations and organisations in Victoria have resource materials but no comprehensive listing/catalogue has been developed and I suspect little effective use is being made of available materials.

CO-OPERATIVE FEDERATION OF VICTORIA LTD.

ALPHABETICAL LIST OF

MEMBERS AS AT
31ST DECEMBER 1984

SUBSCRIPTIONS - 1984-85

<u>Member No.</u>		<u>1984 sub.</u>	<u>1985 sub.</u>	<u>Date record</u>
17	Abalone Fishermen's Co-op. Ltd.	520	1100	1.11.84
54	Amalgamated Co-operative Marketers (Aust) Ltd.	-	4000	21.9.84
50	Apollo Bay Fishermen's Co-op. Ltd.	400	440	10.12.84
49	Associated H.I. Co-operative Ltd.	1500	180	28.11.84
25	Australian Footwear Retailers Co-op. Ltd.	300	330	12.12.84
16	Ballarat Employment Co-operative Ltd.			
20	Bendigo Trading Co-op. Ltd.	400	550	14.11.84
47	Central Gippsland H.I. Co-op. Ltd.	x	180	28.11.84
28	Cobden Artificial Breeders Co-op. Ltd.	x	120	28.11.84
31	Colac H.I. Co-op. Ltd.	x	120	28.11.84
18	Community Work Society Co-op. Ltd.	50	55	14.11.84
6	Co-operative Ins. Co. of Aust. (Vic.) Ltd.	1000	2000	19.11.84
38	Correct Line Graphics Co-op. Ltd.			
11	Emerald and District Co-op. Ltd.	300	330	14. 2.85
53	Gay Publications Co-op. Ltd.		50	26.6.84
32	Gippsland Tip Truck Hiring Co-op. Ltd.	50	200	21.12.84
22	Goulburn Valley H.I. Co-op. Ltd.	x	180	28.11.84
41	Goldfields Community Radio Co-op. Ltd.	120		
42	Hodja Educational Resources Co-op. Ltd.	200	200	22. 2.85
48	Housing Socs. of Vic., Fedn. of	200	300	13.11.84
23	Ibis Milk Products Ltd.	3700	4000	5.11.84
7	Lakes Entrance Fishermen's Co-op. Ltd.	1000	100	21.1.85
44	Maryborough Bootstrap Trdg. Co-op. Ltd.	100		
43	Mitta & Klewa Valleys A.B. Co-op. Ltd.	x	120	
15	Morwell Co-operative Ltd.	750	825	14.11.84
46	Mullawingee Jojoba Co-op. Ltd.	50	55	17.12.84
10	Murray Goulburn Co-op. Ltd.	3700	4000	8.11.84
24	Murrumbidgee Advancement Co-op. Ltd.	50	55	13. 2.85
12	North Eastern Co-op. Ltd.	2200	2420	23.1.85
35	Northern H.D. Co-oper. Ltd.	x	180	28.11.84
34	Numurkah E. Goulburn H.I. Co-op. Ltd.	x	180	28.11.84
37	Orbost A.B. Co-op. Ltd.	x	55	28.11.84
51	Pea Growers Co-op. Ltd.	-	200	8.5.84

		1984 sub	1985 sub	Date record
5	Phosphate Co-op. Co.of Aust.Ltd.	3700	4000	31.10.84
21	Public Images Co-op. Ltd.			
13	Robinvale Producers Co-op. Ltd.	1000	100	21.1.85
30	Rochester H.I. Co-op. Ltd.	x	120	28.11.84
52	San Remo Fishermen's Co-op.Ltd.	-	290	15.6.84
1	Security Co-op. PBS Ltd.	1000	1500	6.12.84
27	South Gippsland A.B. Co-op. Ltd.	x	180	28.11.84
36	Terang & District Co-op. Ltd.	300	330	12.12.84
29	Timboon H.I. Co-op. Ltd.	x	120	28.11.84
	Toora & District A.B. Co-op. Ltd.	x	55	28.11.84
40	Upper Murray A.B. Co-op. Ltd.	x	25	28.11.84
4	Victorian A.B. Co-op. Ltd.	750	1375	17.12.84
3	Victorian Credit Co-op. Assoc.Ltd.	1000	2000	22. 3.85
2	Victorian Producers Co-op. Ltd.	3700	4000	21.12.84
39	Warrandyte Community Workshop Co-op.Ld.	50		
8	Warrnambool Co-operative Ltd.	1750	2310	21.11.84
33	Waverley Trading Co-op. Ltd.	300	330	22.11.84
9	Western H.I. Co-op. Ltd.	x	180	26.11.84
19	West Gippsland H.I. Co-op. Ltd.	x	180	28.11.84
45	Wholefoods Co-op. Ltd.	50		
	Yinnar A.B. Co-operative	x	25	28.11.84
26	Yinnar Community Hotel Co-op. Ltd.	200	220	12.11.84
14	Y.C.W. Co-operative Ltd.	600	660	4.12.84
	TOTAL	30990	40545	

CO-OPERATIVE FEDERATION OF VICTORIA LTD.

BUDGET - 1986

		<u>1985</u> Projected
<u>INCOME</u>	\$	
Subscriptions (Members)	56,120	40,185
(Newsletters) 80 x \$100	8,000	-
Donations	2,000	4,050
Grants		
1. Newsletter 18000)		
2. Conference 5000)	57,000	2,500
3. Educ. & Training 34000)		
Interest	3,000	2,448
Federation services	4,000	3,196
Conference 250 x \$25	6,250	-
Directors' Seminar	4,000	5,049
Newsletter Advertisement	2,000	-
	<u>142,370</u>	<u>57,428</u>
<u>EXPENSES</u>		
Audit	900	915
Bank Charge	100	97
Car Exp.	2,500	2,066
Consultancy	3,000	3,773
Conference	11,250	-
Directors' Seminar (Note)	4,000	5,049
Depreciation	1,200	1,069
Education Project Expenses	5,000	-
Insurance	900	626
Meetings	520	22
Newsletter	5,000	-
Postage	1,500	940
P. & S.	3,500	1,980
Publications (exclusive of Newsletter)	1,000	698
Rent	4,000	1,430

1985
Projected

Salaries (1)	Executive Officer	34,000	
(2)	Newsletter & Communications Assistant	18,000	
(3)	Secretary	11,000	
(4)	Education Project	25,000	34,096
Subs.		2,500	2,002
Sundries		2,000	1,394
Telephone		2,000	1,322
Travel		3,500	2,072
Video		-	1,250
		<hr/> 142,370	<hr/> 60,801
	Deficit	<hr/> -	<hr/> (3,373)

NOTE

Directors' Seminar - 1985

Income received - \$5,049

Costs \$5,049 plus administrative and secretarial costs
absorbed within other expense items.

FUNDING STRATEGY - REQUEST FOR SUPPORT

Based on an acceptance that the role outlined for the C.F.V. is supported, and the specific projects also are supportable, there is the need to finance the proposed activities.

It must be stated that there is a reluctance for the C.F.V. to seek a subsidy from government. We believe that we are not seeking a subsidy in the sense that the objects of the C.F.V. are in harmony with the government's desire for an expanded and efficient co-operative sector. In a real sense a fee for service principle applies with the projects offering mutual benefits to the movement and to government.

The proposed budget for the C.F.V. for 1985-86 is as attached.

PROJECT BUDGETS

(1)	<u>Newsletter exp.</u>	\$18,000	wages	
		5,000	materials & basis production costs	
		5,000	other overheads	
		<hr/>		
		\$28,000		
		<hr/>		
			Income - subscription	\$8,000
			Advertising	2,000
				<hr/>
			NET	\$18,000
				<hr/>
(2)	<u>Conference exp.</u>	\$11,250		
	less received			
	via fees	6,250		
		<hr/>		
	NET	\$ 5,000		
		<hr/>		
(3)	<u>Educational Project</u>	\$25,000	Wages	
		9,000	other direct & resource expens.	
		<hr/>		
	NET	34,000		
		<hr/>		
	TOTAL	\$57,000		
		<hr/>		

The C.F.V. board has already determined that it should seek fee for service or a sitting fee wherever appropriate when it becomes involved with the provision of advice or service directly to government or non member organisations. In 1985-86 this will make a slight improvement to income.

Regarding the Newsletter project -

government support to the value of \$18,000 is requested.

This would cover the wage costs of an employee 2/3 time to produce the document - direct costs of distribution and production are to be recovered via increased subscription to C.F.V. "Newsletter, membership, advertising etc." (but using existing co-operative distribution networks costs should be minimised).

Regarding the Conference - \$5,000 is requested.

This is to cover - advertising & promotion	\$ 1,500
resource materials	1,500
Speakers' fees	1,000 (contribution)
costs for invited guests not recovered via attendance fees, administration etc.	1,000
	<hr/>
	\$5,000

Support to the value of \$5,000 should ensure that attendance fees are minimised to the extent that they cover venue and refreshment costs thereby making the conference accessible to more co-operatives and co-operators.

Regarding the Education & Training project -

the recovery of costs of a resource worker is requested.

\$25,000 and \$5,000 on costs, together with, say, a contribution of \$4,000 to cover rent, increased secretarial services, telephone etc.

TOTALS

	\$
Newspaper	18,000
Conference	5,000
Education & Training	34,000
	<hr/>
	\$57,000
	<hr/>

Organisations seeking incorporation as a Co-operative should be required to have the Registrar's approval who, in turn, should be advised by the proposed Victorian Co-operative Council.

In assessing applications the following criteria may be of assistance. This is used in Manitoba, Canada.

CO-OPERATIVE CRITERIA

1. be comprised of interested and dedicated people who are knowledgeable in co-operative principles and practices, or are willing to learn them through education programmes;
2. have sound co-operative objectives;
3. show a common need or desire of its members;
4. demonstrate the potential to be a self-regulating, self-sufficient organisation within a reasonable time period;
5. show it will operate as a self-sustaining business organisation;
6. shows ability to provide management.

Financial stability can be demonstrated by -

- (1) apparent success of the operation - either known or projected;
- (2) funding from grants (all funding grants must be documented and guaranteed in writing).

***VICTORIAN FOOD CO-OPERATIVE
STUDY GROUP***

408 Smith Street, Collingwood, Victoria 3066 ; Telephone 419-4818

SUBMISSION TO THE MINISTERIAL ADVISORY COMMITTEE
ON CO-OPERATION FROM REPRESENTATIVES
OF VICTORIAN FOOD CO-OPERATIVES.

DECEMBER 1984

1. LEGISLATIVE CHANGES

- 1.1 Should there be a definition of a co-operative included in the Co-operation Act?

Yes. The Act should contain a definition which draws out the broad characteristics of co-operatives.

- 1.2 Should the legislation include the fundamental principles of co-operation adopted by the International Co-operative Alliance?

Yes.

- 1.3 Should there be a legislative interpretation of these principles?

It should be required that each co-operative incorporate interpretation of the principles into their rules. The legislation should not interpret the principles.

It is necessary to recognise that variation in interpreting the principles will occur. Two principles require special attention for food co-operatives:

- a) Open membership criteria can be met in different ways. Where a minority group or special interest group form a co-operative to meet their specific interests this should not be seen to contravene the open membership notion of 'artificial restriction', but rather be seen as a criteria of membership.
- b) Democratic control principle should recognise the appropriateness for co-operatives who choose participatory decision-making forms rather than representative democracy. Therefore, where the membership chooses to be collectively responsible for their co-operative, this should be recognised as a legitimate means of control.

- 1.4 Should the legislation allow for more than one worker to be elected to a board of a co-operative and, if so, under what circumstances?

The board, or chosen structure for management, should reflect the nature of the particular co-operative. Food co-operatives support worker elected representation on boards in all cases. There should

be no restriction on the number of workers stated in the legislation. Co-operatives should define the extent of worker representation on boards in their rules. Different levels of worker representation will be appropriate for different types of co-operatives.

- 1.5 Should it be automatic that each co-operative is required to establish a Board or should alternative arrangements be possible and, if so, under what circumstances?

Co-operatives should be allowed the option of operating via a collective management structure as an alternative to a board. Small co-operatives have a strong preference for collective, non-hierarchical structures. The participatory nature of these structures is valued as it maximises each individual's capacity to contribute to the co-operative and enhances the 'co-operativeness' of the organisation. Collective management also provides valuable learning to the membership and reduces the tendency for professionals to control the group. Such structures however, can become unwieldy in large co-operatives and more representative structures may be preferable.

Food co-operatives support worker co-operatives in rejecting suggestions that participatory systems of decision-making are inefficient or ineffective.

- 1.6 Should the legislation allow for the possibility of increasing the power of general meetings over directors if desired by the membership?

The power exercised by general meetings of members should be determined by individual co-operatives in their rules. The Act should allow maximum flexibility for co-operatives to determine their most appropriate form of control and management.

- 1.7 Should there be restrictions placed on the distribution of residual assets and, if so, under what circumstances?

Food co-operatives oppose distribution of assets to individual members. Any distribution should be directed to other co-operatives, sector associations or to a revolving fund for co-operatives.

- 1.8 Should there be restrictions on/requirement for the distribution of surplus and, if so, what should these restrictions/requirements be?

The economic results arising out of the operation of a co-operative belong to the members of that co-operative and should be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by decision of the members as follows:

- a) By provision for development of the business of the co-operative;
- b) By distribution to another co-operative or to the co-operative sector;
- c) By provision of common services.

Taxation considerations relating to surplus distribution

The Victorian Food Co-operative Study Group (VFCSG) has been advised that where surplus is not distributed to members that a co-operative business will be assessed as a public company for taxation purposes. Where taxable income exceeds \$2,542 the rate of tax is a flat 46% on the whole of the taxable income. Therefore, where a co-operative, such as the proposed food co-operative warehouse, is committed to the surplus benefitting the general purpose and not individual gain, there appears to be a considerable disincentive to them.

- 1.9 Reading the Act.

Reading the Act is a difficult task. It should be drafted in plain language and organised into a clear and accessible form.

2. STIMULATION OF CO-OPERATIVE DEVELOPMENT

- 2.1 Should co-operative development be based on co-operative philosophy and principles?

Co-operative development must be based on co-operative philosophy and principles. Because principles are interpreted by co-operatives according to the characteristics and needs of the co-operative, it is important that development be controlled by co-operatives themselves and their sector associations (where these exist). Support should be given to the development of associations to

foster developmental work.

- 2.2 How is it possible to ensure that co-operative development is based on co-operative philosophy and principles?

Education is a key issue for ensuring development is based on co-operative principles. It is important that each co-operative sector document the practice of co-operative principles in their sector and develop resource information for their members. Resource information should address the technical and organisational needs of co-operatives - adequate provision of skills underwrites the practice of co-operative principles. Currently, the Co-operative Development Programme's (CDP) comprehensive approach to co-operative development and their commitment to co-operative principle and practice could serve as a valuable example for co-operative development.

Food co-operatives wish to see CDP expand its developmental role to include funding of food co-operatives. This matter requires careful consideration and some preliminary work on the issue has commenced. Eligibility criteria needs to be developed for food co-operative funding. Funds available to CDP are very limited and would require additional allocations from the Ministry of Employment and Training (MEAT) to enable CDP to take on the role of funding food co-operatives.

- 2.3 To what extent do the different types of co-operative have different resourcing requirements and what is the impact of this on resourcing provision?
- 2.4 What kind of infrastructure should be established to assist the development of different types of co-operative?

Resource requirements for different types of co-operatives are different. Initial attempts to provide common resourcing through Tertiary and Further Education (TAFE) courses have proven to be fairly unsuccessful ; as a screening process for evaluating potentially viable co-operatives, training courses may be useful. However, the poor quality of lecturers and the inevitable problems that occur where those attending courses are at different stages of awareness and have different training needs, suggests that common resourcing of this kind is of limited value.

Resourcing of different types of co-operatives through their

associations is needed. Where funding bodies wish to provide training as a condition of funding then it is desirable that courses be designed around the needs of that type of co-operative.

For food co-operatives to develop and establish themselves in the market place, requires that they have appropriate infrastructure support and adequate resources to achieve economic viability.

Infrastructure

The Victorian Food Co-operative Study Group (VFCSG), a project funded by the CDP, is presently working on establishing a Food Co-operative Association. The Association would serve the dual purpose of administering the development of a food co-operative warehouse and resource centre.

The proposed resource centre will address needs of food co-operatives that are specific to that type of co-operative process. Many food co-operatives are developing membership, worker and volunteer participatory structures. This development will be assisted through a resource centre, with the objective of strengthening co-operative practice and principles.

It is believed that the establishment of a warehouse and resource centre would meet the food co-operative's infrastructure requirements in relation to access to food, technical and educational needs and future development of the movement.

It is envisaged that the Association would eventually become a member of the proposed Victorian Co-operative Council (VCC).

Food co-operatives support the development of a VCC in principle. However, we have reservations that it may adopt a centralist, hierarchical structure that would interfere with sector association developments and decision-making.

These issues require careful consideration and further consultation before a VCC is developed.

3. GOVERNMENT INVOLVEMENT IN CO-OPERATIVE DEVELOPMENT

3.1 Should the government directly or indirectly fund co-operatives?

Though it is desirable in the long term that funds for co-operatives

come through the co-operative movement through revolving funds or a co-operative bank, it is necessary in the shorter term to obtain government funding for new and developing co-operatives.

Government should fund co-operative infrastructure and directly fund co-operatives.

Grants and loans

It is important that food co-operatives state their position on the loans vs grants discussion that took place at the Consumer Co-operative Working Party with MACC. Food co-operatives believe that both loans and grants should be made available. If a policy of loans only funds were adopted this would effectively exclude lower income groups from establishing co-operatives. There are at least eight community food co-op groups who have committed core groups and strong consumer support. These groups are unable to commence business as funds are not available. The groups are from:

- 1) Altona Peoples Food Co-op
- 2) Carlton Milk Bar Co-op
- 3) Collingwood High Rise Food Co-op
- 4) Epping Food Co-op
- 5) Mordialloc Single Mothers Group
- 6) Portland and District Food Co-op
- 7) South Fitzroy Food Co-op (High Rise)
- 8) Williamstown Food Co-op

These groups are made up of low income residents living on Ministry of Housing estates. They are amongst the most disadvantaged and poorly resourced people in our community. It is impossible for them to start a food co-operative using loans only, as they do not have the capacity to repay the loan in the short or medium term.

3.2 What should be the basis for direct or indirect government funding of co-operatives?

Direct funding from the MEAT's CDP should be on the basis of:

- 1) A committed group demonstrating that they have a willingness to acquire the knowledge and skills required;

- 2) That they can provide a business plan which substantiates the viability of the proposed co-operative business;
- 3) That they have community support;
- 4) That they intend to register the co-operative under the Co-operation Act.

Grants should be made available to groups to produce business plans and to undertake initial training. Grants for capital equipment are required. On establishment, a combination of grants and loans are appropriate for operating costs, wages and co-operative development costs.

Seeding grants

There are numerous food co-operatives operating in the metropolitan area whose members have begun to sell cheap food and in the process have gained experience in co-operative decision making and business practice. These groups were established through small seeding grants received from councils, service clubs, trusts and church groups. Premises for food co-operatives have been obtained in many cases from the Ministry of Housing, community health centres and church organisations.

The practical learning gained through the experience of running a food co-operative is valuable individually, and collectively has equipped some groups with enough skills to cause their co-operative to grow and become a viable business. Seeding grants should be fostered and, provided information on accounting and decision-making procedures is available, many groups will be successful. It is proposed that the Ministry of Housing make seeding funds available to resident groups through their Resident Development Programme.

Indirect funding should be available for:

- 1) Provision of technical training schemes;
- 2) Through funding of each co-operative sector resource provisions;
- 3) Through tax reductions;
- 4) Through providing funds to implement a feasibility study into the establishment of a co-operative bank or financing facility.

3.3 Should the government provide funding for co-operative infrastructure support?

Yes. As stated earlier, an Association which will operate a resource centre is proposed for food co-operatives, both new ventures and established co-operatives. It is essential that government fund this Association for at least four years. Self financing is not possible

until more of the developing food co-operatives reach viability. Funding of sector associations will assist the development of strong co-operative sector cohesiveness and identity.

- 3.4 To what extent should financial and technical support be based on co-operatives meeting government policies and priorities?

Financial and technical support from government will inevitably be based on meeting government policy. It is desirable therefore, that the issues of co-operatives and their place in the economy as viable alternative work structures be broadly promoted and discussed. Recognition of the value of co-operatives will ensure that government is forced to allocate resources to them.

The fortunes of co-operatives will nevertheless depend on the priorities of the government of the day. It is most desirable that co-operatives begin to make funds available to other co-operatives through a revolving fund or a co-operatives bank. Government should contribute funds to back up this provision. Should such a fund be established it will be essential that full representation of co-operatives is ensured and that the small, 'high risk' co-operatives be eligible for funds.

- 3.5 What should be the link between funding bodies of co-operatives and the Legal and Registry Division of the Ministry of Housing?

The Registry of Co-operatives should be an independent entity. The link between them and funding bodies should be that of advising on matters of registration, auditing requirements and legislative interpretation.

THE FEDERATION OF HOUSING SOCIETIES
OF VICTORIA

OBJECTIVES REQUIRED TO STIMULATE CO-OPERATIVES AND
CO-OPERATIVE HOUSING SOCIETIES IN THE HOUSING SECTOR

to the

MINISTERIAL ADVISORY COMMITTEE ON CO-OPERATION

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OBJECTIVES REQUIRED TO STIMULATE CO-OPERATIVES AND CO-OPERATIVE HOUSING SOCIETIES IN THE HOUSING SECTOR

Introduction

This paper will deal with the following areas:-

1. Stimulation of Co-operatives and Co-operative Housing Societies in the housing sector.
2. Legislative reform required.
3. The role of Government.
4. A Co-operative Central Bank

1. Stimulation of Co-operatives and Co-operative Housing Societies in the Housing Sector

1.1 The Current Demand for Home Ownership Assistance

Demand for home purchase assistance is increasing and now requires urgent attention.

The Centralised Waiting List for home purchase assistance has risen by 48.99% since June 1983. Currently, the median house price for Melbourne is \$61,600 having risen 17% in 1983/84.

The cost of home ownership invariably affects renters and the need for rental assistance. If home ownership cannot be afforded by the medium-low income families they will invariably place extreme pressures upon renters with lower incomes. As the families with higher incomes can afford to pay more rent they will displace those persons who cannot compete. It is therefore quite logical that the best method to ease the pressures upon the rental waiting lists is to provide home ownership.

Two presumptions should be immediately rebutted. They are:-

- (a) That the very poor cannot afford home ownership.
- (b) That the high numbers on the rental waiting list indicates a demand for rental accommodation.

(a) The Very Poor Cannot Afford Home Ownership

At the outset, the Federation recognises that some families will never be suitable for home purchase. Some families either through desire, incapacity or lack of means will always remain in rental stock.

1.1 (a) Cont.

However, the Federation refutes the presumption that the very poor cannot afford home ownership.

There are sufficient funds available to both the State and Federal Governments to make funds available for home ownership at interest rates lower than the existing levels. For example, if an interest rate of 2.5% per annum was made available, families with an income of \$160 per week or less, could afford to service a housing loan of \$40,000 with the repayments remaining at 25% of gross income.

This means that many pensioners and even the unemployed could afford home ownership and not remain in more expensive rental accommodation. The cost of providing assistance at interest rates of 2.5% is cheaper to the Government than providing an equivalent unit of rental accommodation.

With a commencing interest rate of 2.5% per annum the interest subsidy cost to home purchasers over a 30 year period would amount to \$42,000 (See TABLE A). Equivalent capital costs for a rental unit where the Government must bear 100% of the purchase cost would be \$47,850 (See TABLE B).

The operational costs however, makes rental an extremely expensive proposition for Government. Over 30 years the total costs of providing home purchase assistance to one family costs \$66,470 for a renter they are \$243,610 (See No. 1.3 on Operational Costs).

(b) The High Numbers on the Rental Waiting List Indicates a Demand for Rental Accommodation

There is often a presumption that because applicants are upon a rental waiting list, they prefer rental accommodation. This is not so. In South Australia the rental waiting list was surveyed and it was discovered that 75% of those persons would prefer home ownership. They merely believed they had to rent because they could not afford home ownership.

The solution is to survey the rental waiting lists and to inform people that they could afford home ownership and this would be cheaper than remaining in rental accommodation.

1.2 The Cost Efficiencies of Home Ownership Assistance as Compared to Rental Assistance

Home ownership assistance is unique. Instead of providing housing stock in the form of rental accommodation owned by the State Government, home ownership can provide a pool of finance, owned by the State Government, which can house more families in both the short and long term.

Normally the home purchaser can provide equity to his purchase either through his savings or through the Federal Government's First Home Owners Scheme. The State Government

TABLE A : Cost of Interest Subsidy on Home Purchase Assistance on a loan of \$40,000

(Cost equals difference on interest rate received by the Ministry of Housing on repayment and Savings Bank Interest)

Year	Cost Subsidy with Commencing Interest at 5% per annum	Cost Subsidy with Commencing Interest at 2.5% per annum
1	\$ 3,000	\$ 4,000
2	2,800	3,800
3	2,600	3,600
4	2,400	3,400
5	2,200	3,200
6	2,000	3,000
7	1,800	2,800
8	1,600	2,600
9	1,400	2,400
10	1,200	2,200
11	1,000	2,000
12	800	1,800
13	600	1,600
14	400	1,400
15	200	1,200
16		1,000
17		800
18		600
19		400
20		200
TOTAL:	\$24,000	\$42,000

TABLE B : Rental Unit

The cost of an Interest Subsidy Equivalent on the purchase price of a new Rental Unit (\$45,000) representing 100% of the capital cost (escalating at 0.5% per annum).

Year	Percentage %	Interest Subsidy Equivalent
1	10	\$ 4,500
2	9.5	4,275
3	9	4,050
4	8.5	3,825
5	8	3,600
6	7.5	3,375
7	7	3,150
8	6.5	2,925
9	6	2,700
10	5.5	2,475
11	5	2,250
12	4.5	2,025
13	4	1,800
14	3.5	1,575
15	3	1,350
16	2.5	1,125
17	2	900
18	1.5	675
19	1	450
20	0.5	225
TOTAL:		\$47,850

1.2 Cont.

is therefore not required to contribute 100% of the purchase price. Therefore savings can be made on the capital costs of these operations. This could be 5% or much more.

With rental units, the Government bears 100% of the rental cost of construction or purchase. Therefore considerable savings could be achieved. For example, if \$50 million were allocated to home purchase assistance and not rental, \$3 million could be saved in the first year or an extra 66 families assisted into home purchase assistance (Average loan size \$45,000).

The Government also bears extremely high operational costs in this rental accommodation. This currently averages \$1,600 per unit. Over 30 years the affect of the high operational costs of rental units means that three times as many housing stock could be provided under the home purchase scheme where the interest rate commences at 2.5% per annum or four times as many stock if the interest rate commenced at 5% per annum (See TABLE C).

TABLE C : Comparison of Home Ownership and Rental Schemes

YEAR	HOME PURCHASE	RENTAL
	NUMBER OF NEW LOANS PER ANNUM	NUMBER OF NEW RENTAL UNITS PURCHASED
	Injection of \$50 m. per annum	Injection of \$50 million per annum
	Loans - \$40,000 each	
	2.5% Interest Rate incr.by .5% p.a. to 12.5%. Repay's.incr.by 5% p.a.	Each House Costs \$42,105. Admin.Costs = \$1,600 per unit. Rents=5% of Cost=(Level)
1	1,250	1,187
2	1,308	1,201
3	1,374	1,216
4	1,444	1,231
5	1,521	1,246
6	1,607	1,260
7	1,700	1,276
8	1,803	1,291
9	1,915	1,306
10	2,038	1,322
11	2,174	1,338
12	2,322	1,354
13	2,485	1,370
14	2,664	1,387
15	2,859	1,403
16	3,075	1,420
17	3,310	1,437
18	3,569	1,454
19	3,853	1,472
20	4,164	1,490
21	4,506	1,507
22	4,880	1,526
23	5,284	1,544
24	5,718	1,562
25	6,186	1,581
26	6,690	1,600
27	7,234	1,619
28	7,819	1,639
29	8,453	1,658
30	9,153	1,678
TOTALS:	112,358	42,575

Even though it might be argued that the rental units might assist a higher turnover of renters and thus more families, the South Australian experience of the Housing Trust does not bear this out. In that State the turnover of renters is one every eleven years. On this basis, home purchase assistance assists as

1.2 Cont.

many people as a rental assistance scheme.

Use of Co-operative Housing Societies would also significantly reduce administration costs in such a scheme. They therefore should be fully supported.

1.3 The High Operational Cost of the Government's Rental Program

The most striking example of how cost efficiencies could be achieved by Co-operative Housing Societies is by examining the current effects of the Spot Purchase Program.

The 1983/84 State Housing Budget estimated a \$21 million loss on their rental program. The average operational cost per unit of rental accommodation is now \$1,600 [averaged over 47,000 units], (See TABLE D).

The operational costs now being incurred by the State Government cannot be significantly reduced by increasing the amount of rental stock. For example, if the number of rental stock (now 47,000) was doubled by the acquisition of new units where the operational cost on those new units was halved to approximately \$800 per unit, it would only reduce the total average operational cost for all 94,000 units to \$1,200 per unit.

An operational cost of \$800 per unit is not realistic and therefore a much higher average would be likely. For example, in South Australia the Housing Trust has an average operational cost in the vicinity of \$1,350.

The effect of the high operational cost of rental units can be illustrated as follows:-

TABLE D : Operational Costs Per Rental Unit

CURRENT OPERATIONAL COSTS FOR THE MINISTRY OF HOUSING (VICTORIA) IN THE YEAR 1983/84 AS AVERAGED ON A PER UNIT BASIS. (CURRENTLY 47,000 UNITS IN VICTORIA). 1983/84 Budget Papers, pp 22		
OPERATIONAL COST 1983/84	\$'000	AVERAGE PER UNIT \$
Administration	11,027	234.61
Rates	16,993	361.55
Insurance	882	18.76
Maintenance	29,500	627.65
Operating	13,912	296.00
Provisions	4,000	85.10
Miscellaneous	650	13.82
TOTAL:	76,964	1,637.49

TABLE E : Cost of Home Ownership and Rental Programs
- 1st YEAR OF OPERATION

Capital	H.O. Loan \$40,000	Rent Example \$45,000
Cost in 1st Year		
Capital Interest	4,200	4,500
Subsidy on Equivalent (A)		
Operational Cost	200	1,600
TOTAL EXP:	(4,400)	(6,100)
Income from Rent or Loan Repayments	2,080	1,664
Surplus/Deficit	(2,120)	(4,936)

As illustrated the capital and operational costs for the home purchase unit totals \$4,400 while the capital and operational costs for the rental unit totals \$6,100 a difference of \$1,700 or 38%.

Over 30 years the effect is as follows:-

TABLE F : Cost of Home Ownership and Rental Programs
- OVER 30 YEAR PERIOD

OVER A 30 YEAR PERIOD		
Total Capital Cost	H.O. (\$40,000 Loan)	Rent Example (\$45,000 Unit)
Expressed as Interest Subsidy Cost	42,000	47,850
Operational Cost	24,470	195,780
TOTAL EXP:	66,470	243,610
Income Rent or Loan	3.5% 111,132 5.0% 145,100 8.0% 254,488	116,080 203,590
Surplus at 3.5%	44,662	
Surplus at 5.0%	78,750	(127,530)
Surplus at 8.0%	180,810	(40,494)

As it can be seen, over 30 years the total subsidy cost is \$66,470 (See Column 1) while the total capital and operational cost for rental units is \$243,610 (See Column 2). The home purchase unit returns a net surplus to the Government of \$78,750 while the rental unit makes a loss of \$127,530.

The operational costs for rental assistance are four times greater than that of a home purchase assistance scheme. This operational cost does not justify the acquisition of rental stock which after 30 years has an increasingly high maintenance factor.

Even though it might be argued the high operational costs of the Ministry of Housing is due to its high rise stock, the operational cost cannot be significantly reduced if further rental stock is purchased.

1.4 Co-operatives Can Bring More Efficiencies to the Spot Purchase Program

The current average purchase price for the Spot Purchase Program is \$57,000. The average purchase price paid by borrowers through Co-operative Housing Societies is now \$47,000. This represents a \$10,000 saving or an increase in efficiency of 17%.

However, the actual contribution to home ownership is much less. It is represented by the size of the loan. With the new maximum loan size expected to be \$45,000 Co-operative Housing Societies and home purchase could bring an efficiency factor of approximately \$12,000 to this area or an increase in efficiency of 21%.

It should be emphasised that the Co-operative Housing Societies' borrowers are competing in the same metropolitan area as the Ministry of Housing and achieving far greater cost efficiencies. Therefore Co-operative Housing Societies could save the Victorian Government approximately \$12.6 million or assist an extra 281 families each year.

1.5 The Use of Co-operatives Conforms With Current State Government Philosophy

The Government's Information Paper on Development of the Co-operative Movement in Victoria states -

"Co-operation is a way of organising an economic or social enterprise in order to make the best use of human and economic resources while ensuring democratic ownership and control."

It therefore seems most appropriate that Co-operatives and Co-operative Housing Societies are used to achieve these cost efficiencies for the Government and assist many thousands of Victorian families into a solution to their accommodation needs.

1.6 The Need For Co-operative Housing Societies - Institutional Funds

Co-operative Housing Societies have played a major role in assisting low income families in Victoria by raising institutional funds from the private institutional sector. In 39 years Societies have raised nearly \$300 million in institutional funds.

1.6 Cont.

This institutional fund raising by Societies has averted what would have been considerable pressure on State Government to assist these families.

Societies play an important role in the financial sector of the economy as they do not compete directly with deposits raised by financial institutions but merely act as a lending agency for other institutions. In that way they are not competing but assisting other financial institutions to lend funds for housing.

The Co-operatives have been successful because of their extremely high efficiency in lending funds for housing and their low management costs. Currently the management fee is approximately 0.5% per annum on a commencing loan. Other financial institutions, ie. Banks have a management cost structure of approximately 1.5% and Building Societies 2.0%-2.5% per annum.

Co-operative Housing Societies should therefore be assisted fully in their efforts to raise new sources of funds from other financial institutions for housing. Societies have no savings or deposit requirements and a high loan to valuation ratio which means that many families who cannot gain assistance through the private institutional sector can be assisted by a Co-operative.

1.7 The Matching Funds Scheme

The Federation has submitted to the State Government its Matching Funds Scheme which would enable the State Government to increase funding for home purchase assistance by 40%-45%. The Scheme does not cost the State Government or the tax payer anything. The Scheme is unique because it has made lending for housing attractive to the financial institutions by reducing the term of the loan while maintaining near to market interest rates for those institutions.

Such a scheme could raise an extra \$40 million for the State Government at no cost to the tax payer.

1.8 Sources of Institutional Funds

Co-operative Housing Societies could raise funds from:- Banks, Building Societies, Insurance Companies, Super-annuation Funds, Statutory Bodies, Semi-Government Authorities, Churches and Benevolent Institutions, Overseas borrowings and many other sources.

Societies are extremely flexible lending agencies and can bridge the gap between Government and the private institutional sector.

1.9 The Role of Other Forms of Co-operatives

(a) Rental Co-operatives

The Federation supports the concept of rental

1.9 (a) Cont.

co-operatives as a management co-operative which removes bureaucracy from public housing programs.

If it can be successfully established that rental co-operatives are administratively cost efficient, and this is not yet certain, rental co-operatives can provide valuable democratic community involvement in the public rental housing program.

There is after all no reason why Governments should administer rental housing if the individuals can do it for themselves.

The main concern of the Federation is the possibility of high administration costs and the fact that the Ministry of Housing cannot easily reduce its overall operational costs on such a scheme.

The Federation recommends that careful consideration should be given to the formation of these rental co-operatives.

(b) Common Equity Co-operatives

While it may be uncertain as to the final form of Common Equity Co-operatives, it can be basically assumed that these provide families opportunities to gain equity in their dwellings which are owned by a co-operative by commencing as renters and paying a proportion of their income to the co-operative as repayment of capital.

The Federation is concerned that the Common Equity Rental Co-operatives are an unduly complex form of providing equity and pseudo ownership of dwellings which could in the long term be ultimately cost inefficient.

The Federation believes that there is no need to form a rental co-operative which provides equity to the owner when it is quite possible and more cost efficient to provide people with home ownership. Not only are the funds in a home ownership scheme protected and increase over time but home ownership is more in common with the overall aspirations of the Australian public.

Co-operative Housing Societies believe that they can provide home ownership to low income families at a much lower administrative, operational and capital cost to low income Victorian families than can any other scheme such as a Common Equity Rental Co-Operative.

Therefore, the Federation believes the formation of these co-operatives should be seriously considered and compared with the cost efficiencies of Co-operative Housing Societies before their implementation.

2. Legislative Reform Required To Stimulate Co-operatives and Co-operative Housing Societies

The Federation believes that very little legislative reform is required to assist Co-operative Housing Societies.

Currently, the Co-operative Housing Societies Act provides a very efficient administrative structure for Societies with simple procedures for the registration of Societies and their supervision by the Registry.

Many efficiencies which could be adopted can be done so by merely altering the rules of Societies which can be done with the consent of the Registrar and by special resolution by the members.

The Federation believes that the Societies' institutional fund raising efforts could be assisted by the adoption of a two tiered flexible guarantee rate which will enable a Society to raise institutional funds at levels above the existing guarantee rate of 12%. This is necessary if Societies are to operate in a more complex deregulated financial sector of the economy.

The Federation also believes that the Co-operative Housing Societies Act provides for an efficient structure and is currently operating without undue complexity and there is no need for its overhaul or even its incorporation into a more general co-operation act.

If it was finally thought necessary to incorporate the Co-operative Housing Societies Act into a co-operation act, then there should be a specific separate section for Co-operative Housing Societies which leaves their legal structure intact.

Societies generally believe that the institutional fund raising efforts of Societies could be seriously affected if they are forced to amalgamate with other forms of co-operatives. As explained above, Societies now operate under an extremely flexible arrangement acting as agencies for lenders. This agency arrangement could be affected by Societies losing their separate identity. It would thus become more difficult for Societies to assist the State Government in raising institutional funds for low and middle income families.

The Federation strongly recommends therefore, that the Co-operative Housing Societies Act remain in its present form and that there is no need for its incorporation into a more general co-operation act. It must be pointed out that the Federation is not opposed to the incorporation of the Co-operative Housing Societies Act into a more general act provided that a separate and independent section is provided for Co-operative Housing Societies and they remain as the major lenders for Government funds and the providers of institutional funds.

3. The Role of Government

The Federation believes the role of Government in stimulating Co-operative Housing Societies should be to provide general policy guidelines for the development both as Government

3. Cont.

agencies and institutional lender agencies.

The Federation also believes that the role of Co-operative Housing Societies can be assisted by the State Government reducing the direct lending role of the Ministry of Housing in providing home purchase assistance. Considerable cost efficiencies could be attained for the State Government if this was done as well as providing more funds for Co-operative Housing Societies.

The State Government should adopt the Federation's Matching Funds Scheme which could provide up to a 45% increase in funding for the State Government at no extra cost while at the same time assisting Societies raising institutional funds for low income families. This would make institutional finance accessible to low income families.

The Government's role with the institutional fund raising by Co-operative Housing Societies should be to ensure the provisions of the Co-operative Housing Societies Act are carried out and the Societies operate according to the general standards contained therein.

The Government's role with the provision of Government home purchase assistance funds should be merely to provide the general policy guidelines for the distribution of those funds and ensure access by all Victorians to the scheme and that Co-operative Housing Societies have the maximum opportunity to lend these funds and thus achieve the greatest cost efficiency.

The role of Co-operative Housing Societies can be further stimulated by Governments recognising that they are truly co-operative and wholly mutual. At the same time Societies provide personalised service with a strong community based support.

The role of Co-operative Housing Societies can also be stimulated by Governments recognising that Societies can save considerable administration costs and operational costs for Government.

4. Formation of a Co-operative Bank or National Funding Facility

Many suggestions are currently being made for the formation of a Co-operative Central Bank or funding facility which will enable the Funding of Co-operatives, thus recognising their special community relationship.

The Federation supports in principle the formation of such a facility, particularly if such a facility would lead to the increased availability of housing finance for low income families.

As mentioned above, the current economic conditions and investment policies preclude substantial investment in housing from the non-traditional finance institutions.

4. Cont.

While the Federation notes that the Financial Institutions Review supports in principle the formation of a national funding facility for Credit Unions and a similar facility for Building Societies, it notes that the Review ignores the needs of other co-operatives in the community. Particularly, traditional co-operatives such as trading, food and housing.

The Federation disagrees with the Review that such a funding facility be established solely through the Credit Co-operatives Association while sole control of such a facility rests with the Credit Unions. Any corporation or statutory body established to provide this facility should have on its board of management, representatives from the other forms of co-operatives.

While the Review goes on to note in Chapter 8, the difficulties of establishing banking facilities for Building Societies, even though those institutions are more substantial than other co-operatives, the Review discusses the likelihood of a banking agency relationship for Building Societies being established. The Review discusses the possibility of an industry corporation having direct access to the payment system but prefers in the interim a form of agency relationship.

In recommendation 9.6 the Review recommends the State Bank be asked to consider providing industry wide access to the cheque clearing system on an agency basis at commercially realistic fees for Credit Societies meeting prudential requirements set by the bank and supervised by the V.C.C.A.

The Federation therefore concludes that there are many apparent problems before the establishment of a central funding facility or what is loosely called banking facilities for co-operatives can be established. In principle however, the Federation supports such a facility, particularly as the Financial Institutions Review notes in Chapter 9, the possibility of Building Societies as financial institutions being much less committed to the provision of housing finance than their original shareholders.

Therefore, a central funding or banking arrangement, in supporting the growth and expansion of Co-operative Housing Societies, could do much to correct a general decline in interest towards providing housing finance.

It is extremely important that the consideration of such a funding agency or facility should contemplate the needs of other forms of co-operatives, particularly those meeting specialised needs. The Federation sees great dangers for the Victorian Government and Co-operatives if the provision of housing finance is divided amongst too many distributing agencies. This view was supported by the 1981 Green Paper when considering the distribution of Government assistance.

The very trend in rationalisation now taking place amongst financial institutions requires by its very nature, the cost efficiencies be obtained by larger institutions, preferably larger transactions and the operation of lending on a fee for service basis. The Federation concludes therefore, that

4. Cont.

nothing will be gained for the Victorian Government if the provision of housing finance is spread too widely amongst a number of bodies, however well intentional, who are unable to provide cost efficiencies in administration that can now be obtained by using a specialist lender such as Co-operative Housing Societies.

In short, the low management cost of Co-operative Housing Societies is now only obtained by their specialist role. If funding is spread too thinly then the overhead costs of administering housing loans will rise sharply to the borrowers. This danger can be averted by concentrating the provision of housing finance through the pre-existing and cost efficient lending agencies such as Co-operative Housing Societies.

CAMERON ALGIE
Executive Director

St. Kilda
income
stretchers

MINISTRY OF HOUSING

X

30 OCT 1984

7 Duke St,
St. Kilda. 3183
Tel: 534 1947

1st October, 1984

SUBMISSION TO THE
MINISTERIAL ADVISORY COMMITTEE
ON CO-OPERATION.

OUR SUBMISSION TAKES THE FORM OF QUESTIONS THAT S.K.I.S. HAS FOUND TO BE IMPORTANT ISSUES FOR PEOPLE ON LOW INCOMES BUT STILL WISH TO DEVELOP FROM A GRASS ROOTS LEVEL AND ADHERE TO ALL THE PRINCIPLES OF CO-OPERATIVE PRACTICE AND PROCESSES.

THE QUESTIONS ARE:

WHAT MEANS CAN BE FOUND TO MEASURE AND AUDIT THEIR SOCIAL AS WELL AS THEIR FINANCIAL PERFORMANCE?

HOW CAN WORK BE ORGANIZED TO ENCOURAGE CREATIVITY, POTENTIAL AND INNOVATION RATHER THAN PEOPLE BEING TREATED AS EXTENSION OF MACHINERY? WHAT ARE THE ALTERNATIVES IN BUSINESS MOTIVATION TO THE PURSUIT OF PRIVATE PROFIT?

WILL ECONOMIC FORCES EVER ALLOW SOCIAL RESPONSIBILITY FOR PRODUCTS AND PROCESSES?

CAN CO-OPS EVER RECONCILE ECONOMIC AND SOCIAL OBJECTIVES?

WHAT SOCIO-ECONOMIC CRITERIA SHOULD UNDERPIN ANY PRACTICAL MANIFESTATIONS OF COMMUNITY ENTERPRISES?

SHOULD CO-OPS BE DEVELOPED FROM A TOP-DOWN MOVEMENT OR ENCOURAGED AS A GRASSROOTS MOVEMENT?

AS BOTH PLANNING AND FUNDING ARE INEXTRICABLY ENTWINED, AND AS BOTH ARE PROCEEDING APACE AT THIS MOMENT, WE WONDER IF OUR ENCLOSURES COULD RECEIVE YOUR URGENT CONSIDERATION AND REPLY?

Yours faithfully,

Gwen Dowling

Gwen Dowling -Co-Ordinator
for St. Kilda Income Stretchers.

MINISTRY OF HOUSING

31 OCT 1984 AM

REGISTRY
DIVISION

T O

MINISTERIAL ADVISORY COMMITTEE
ON CO-OPERATION

F R O M

VICTORIAN CREDIT CO-OPERATIVE
ASSOCIATION

MAY 1985

Introduction

As the Committee would be aware, a group of credit co-operative representatives were called together under the chairmanship of Bill Rawlinson to consider the specific questions put by the Committee and their response to these questions has already been advised to the Committee at the meeting held on 16th October, 1984.

Therefore the VCCA's submission will concentrate on the role that should be played by the credit co-operative sector in Victoria in providing financial services to assist with the on-going growth and development of the co-operative movement in this state.

Recommendations

That the Ministerial Advisory Committee on Co-operation recommends to Government:

1. That the Co-operation Act be amended as a matter of urgency to allow credit co-operatives to service the wider co-operative movement. This would include legislative amendments which would permit:
 - (a) The ability for societies registered under the Co-operation Act to obtain full membership rights of a credit co-operative;
 - (b) To allow a full range of deposit and lending services to be provided to co-operatives and other community based groups.
2. That the credit co-operative sector be encouraged to fulfill the role of financiers to the wider co-operative movement.
3. That they accept that the credit co-operative movement, both at a central and individual society level, is an important vehicle for the implementation of financial programs to assist in the growth and development of the co-operative movement in Victoria.
4. That they accept the role of credit co-operatives as being providers of financial services to co-operatives and community based groups and in particular those groups who are in receipt of Government funding and/or guarantees and that the Government remove all restrictions which currently prevent these groups from making use of the full range of services provided by credit co-operatives.

Present Situation

1. Credit co-operatives are an integral and important part of the wider co-operative movement.
2. Regrettably up until now, both in Victoria and Australia-wide, there has not been a close liaison between credit co-operatives and the wider co-operative movement. This is mainly because credit co-operatives have concentrated their efforts on providing cheap consumer finance to people, rather than looking at playing a role as financiers to the wider co-operative movement. As well, the current legislation has prevented credit co-operatives from fulfilling this role as it limits them to providing services to natural persons only.
3. Another factor which has inhibited the close involvement of credit co-operatives with other co-operatives and community groups in particular, has been the policy of Government to limit the investment of funds made available to these groups by Government to the banking system in most instances. This has specifically precluded those groups who may otherwise wish to deal with their local community based credit co-operative from placing funds with that co-operative. Guarantees provided to many community development co-operatives in Victoria are provided by the Government through the banking system. Again we see this as deliberate discrimination against the credit co-operative movement by Government.
4. Over the last twenty-five years, credit co-operatives have grown to a size where there is currently a membership of 467,000 with assets of \$1.22 million making it clearly the largest sector of the co-operative movement in Victoria.
5. Credit co-operatives are very much part of the community and see themselves as having a very important role to play in this area.
6. Credit co-operatives are the arm of the co-operative movement and gathers funds from individuals in the community and therefore has the capacity to marshall large amounts of money.
7. Credit co-operatives have developed centralised financial systems, including an in-built liquidity support system with persons of special expertise being employed to oversee the operation. An example in Victoria of this liquidity support system is the VCCA's central financial facility which handles in excess of \$100 million of credit co-operative funds with a portion of that money being relent to co-operatives with borrowing needs. It plays a vital role in ensuring the stability of credit co-operatives in Victoria.

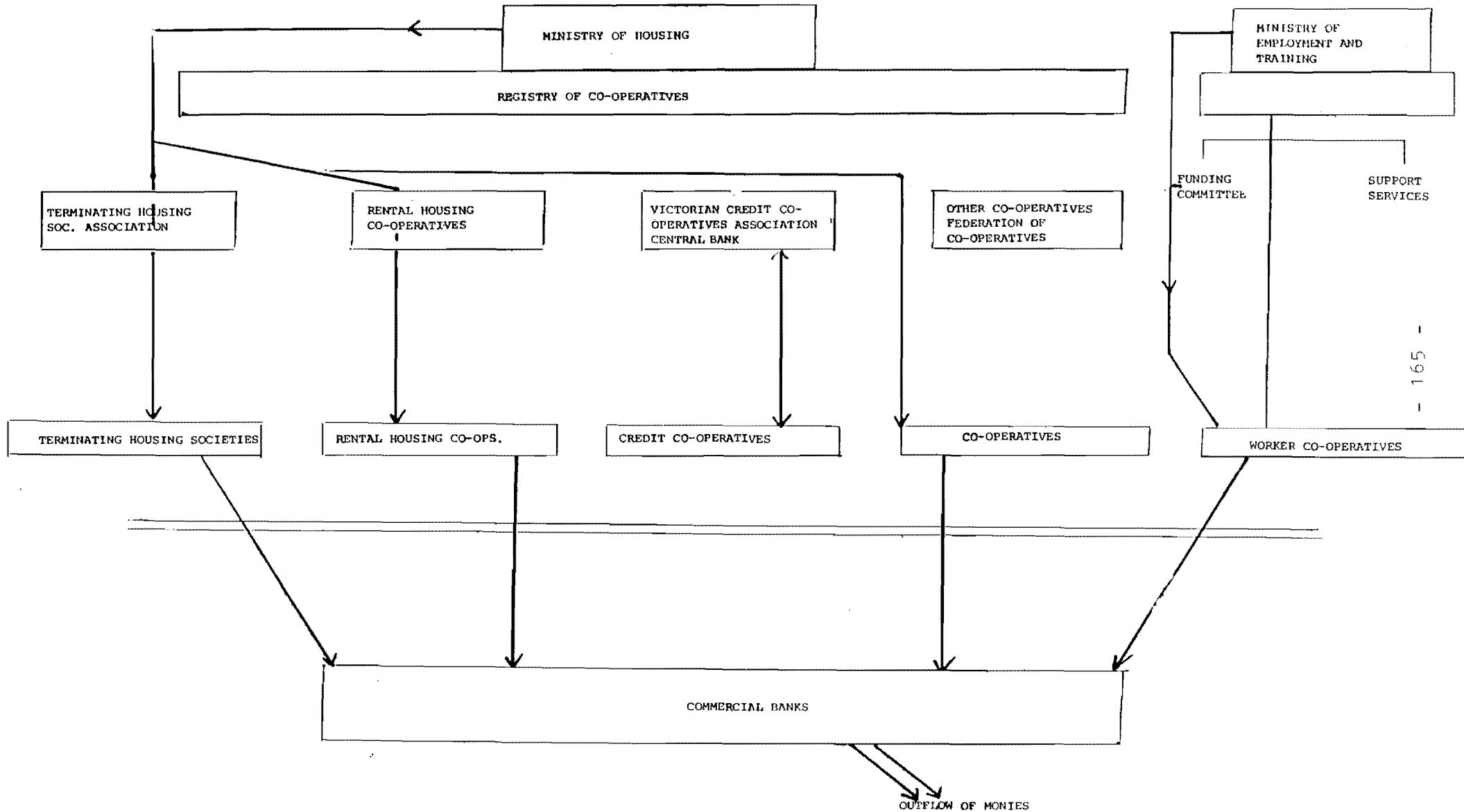
8. The Government, following strong representation from the credit co-operative movement, has set up the Credit Societies Guarantee Fund. Currently the Fund has a portfolio of \$11 million. The Guarantee Fund is a mechanism whereby credit co-operatives cross guarantee the performance of each other, so that if an individual credit co-operative experiences trading problems, it is assisted by utilising the funds subscribed by the other credit co-operatives so that no members' funds are at risk.
9. The credit co-operative movement is rapidly building up strong financial reserves and currently the reserve level of all credit co-operatives in Victoria was \$38.4 million (3.16% of total assets).
10. A very strong base has now been established so the credit co-operative sector is well placed to play a more active role in the development of the wider co-operative movement in Victoria.

Future Development

1. With the advent of deregulation and the influx of foreign banks into the Australian financial system, the consumer loan market, which has been the traditional market serviced by credit co-operatives is becoming much more competitive. We are pleased with this development because it means that more people are now able to access consumer loans at much more reasonable interest rates from other financiers, than was previously the case.
2. This has meant that the credit co-operatives' traditional market is under some threat and they are facing much more intense competition in this vital area of their operations. As a result, credit co-operatives are having to look to new markets that are compatible with their philosophy of operation.
3. From our observations, the single most important factor in the rapid growth and sound development of the most successful co-operative movements throughout the world, has been the role played by the financial co-operative arm of the movement.
4. Mondragon is a good example of the very important and influential role which the financial co-operative arm plays in not only funding co-operative development on a business like basis, but also in assisting in the training of management to ensure that the trading co-operatives are being run on sound business principles.
5. The time is appropriate for the credit co-operative sector to be encouraged to play a much more active role in providing soundly based financial services to the wider co-operative movement and to community based groups operating within credit co-operatives' bond area.

6. Initiatives have already been taken to seek Government approval to change the legislation so as to allow credit co-operatives to provide services to other types of co-operatives.
7. Credit co-operatives see their role as being understanding providers of services to the wider co-operative movement. However at all times the financial relationships will be based on sound business principles that would be adopted by any other well run financial institution. The main difference would be that there would be a common commitment to the co-operative principles and a real empathy with the long term goals of the co-operatives being serviced.
8. The credit co-operative sector could also act as the primary agent for Government in making Government funding and/or support (e.g. financial guarantees etc.) available to the co-operative sector. We believe we have the expertise and financial systems already in place which will allow proper monitoring and control of these Government initiatives.
9. Through the central financial support system already set up, the VCCA is well placed to assume a central co-ordinating role in relation to Government support for the co-operative movement and the individual credit co-operatives are well placed to deliver the services to the individual co-operatives. (Refer diagrams attached.)
10. By the skillful use of resources which the credit co-operatives sector has to offer, Government would be able to provide tangible, effective support for the growth and development of the co-operative movement in Victoria.

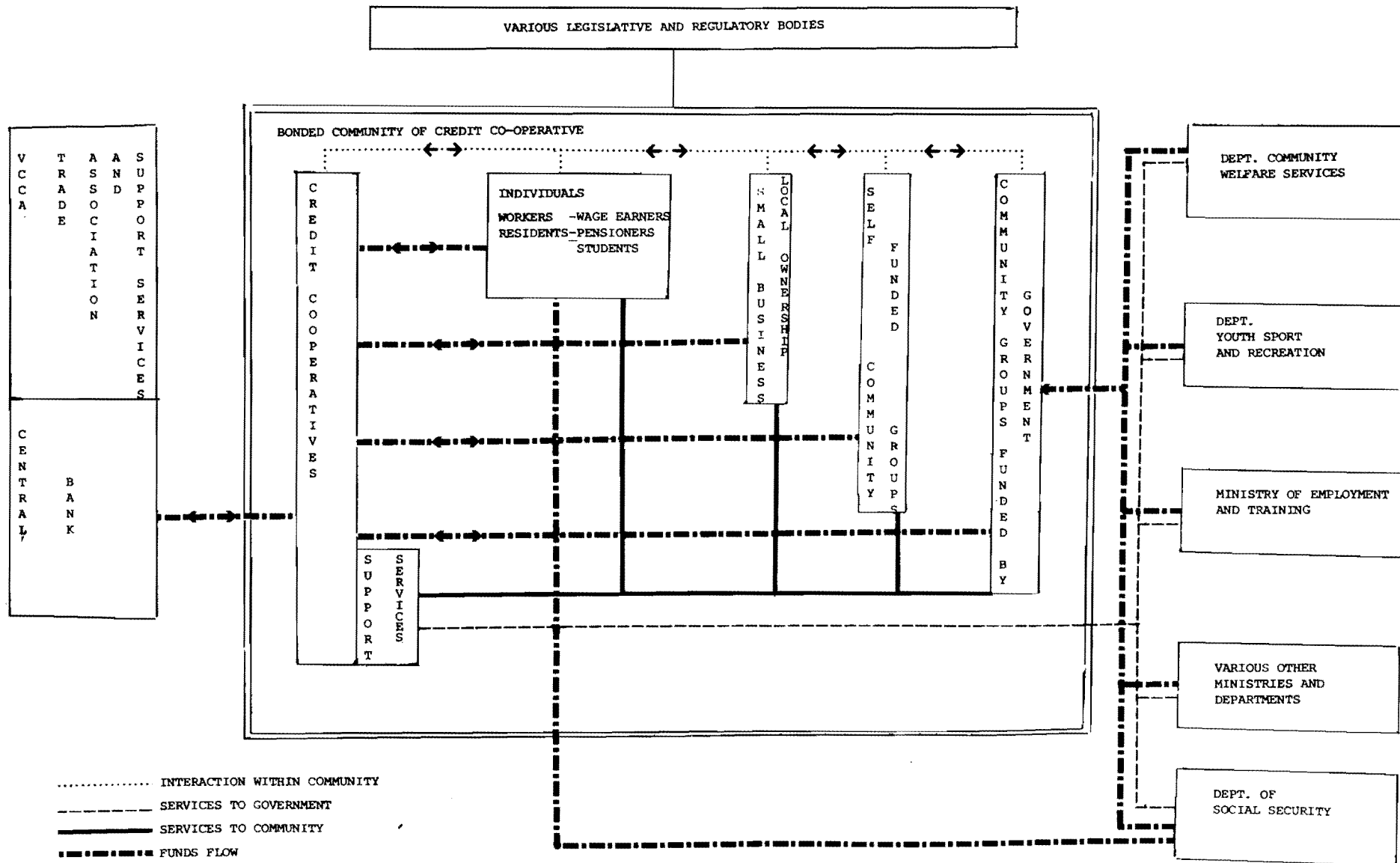
May 1985





COMMUNITY ROLE OF CREDIT CO-OPERATIVES

IN FLOW TO
COMMUNITY FROM GOVERNMENT



CO-OPERATIVE SOCIETIES ADVISORY COUNCIL

250 Elizabeth Street
MELBOURNE Vic. 3001.

Submission to:

Ministerial Advisory Committee on Co-operation

The Co-operative Societies Advisory Council, constituted under Section 218(1) of The Co-operation Act 1981 submits to the Ministerial Advisory Committee on Co-operation its considered views on future structure of organisation and administration of the Co-operative sector in Victoria.

1. The component parts of this sector are:-

Primary level Co-operatives whose membership is composed of individuals and any five of whom of the same kind may join together to form an Association at the

Secondary level

A minimum of ten Associations and/or Co-operatives of different kinds may join together to form a Federation at the

Tertiary level

Such a Federation may take into membership, in addition to Associations, Societies and Companies incorporated under legislation other than the Co-operation Act 1981 where certified by the Registrar that they are "of a substantially Co-operative character".

Registrar

with duties, powers and authorities as are prescribed by the Co-operation Act 1981.

Advisory Council

with specified functions to submit recommendations to the Minister on matters related to -

formation of societies

operation of societies

financing of societies

Government guarantees for societies etc.

Minister

with overall responsibility for administration of the relevant legislation.

2. In considering future organisation and administration the Advisory Council noted:

(i) Currently the Ministerial responsibility for administration of Co-operative legislation is not identified by a specific Ministerial portfolio - either singly or shared.

- (ii) There is only one body registered and operating at the tertiary level. That is The Co-operative Federation of Victoria Ltd. which has in membership societies and associations incorporated under the Co-operation Act 1981 and Co-operative Companies incorporated under the Companies (Victoria) Code.
 - (iii) The Co-operative sector as a self-help independent section of business enterprise should have freedom to operate within the terms of legislation and prudent business practice with ability to organise self-control and collective services and be in a position to administer, on a contractual basis, Government programmes which may be considered desirable for the betterment of the sector.
 - (iv) Currently the Co-operative Societies Advisory Council membership is six of whom two only are drawn from the non government Co-operative sector itself.
3. The Co-operative Societies Advisory Council submits that, in its recommendations for legislative and administrative amendments for the Co-operative sector, the Ministerial Advisory Committee on Co-operation should include:
- (i) That the Minister administering Co-operative legislation should be identified by the inclusion of the word "Co-operatives" or "Co-operation" in his portfolio title.
 - (ii) That the statutory body established to
 - (a) advise the Minister and the Government in development of policies for Co-operatives;
 - (b) promote and encourage the formation of Co-operatives and education in philosophy and practice of Co-operation;
 - (c) develop proposals for improving the methods of operation of Co-operatives including funding and business practice;
 - (d) consideration of applications for guarantees under the Co-operation Act;
 - (e) exercise such other powers as may be prescribed.be reconstituted to enable representation from the Co-operative Federation, Associations and Societies to be eligible for appointment by the Minister.
 - (iii) That the apex non government body, which all Co-operative Companies, Associations and Societies be eligible to join, be the Co-operative Federation of Victoria Ltd., with a fully representative Board of Directors elected from its membership, with capability to administer educational and financial resource services for all Co-operatives in Victoria and with responsibility for representing the total Co-operative sector to all authorities.

CO-OPERATIVE EDUCATION AND TRAINING

SUMMARY:
DEMOCRACY THROUGH EDUCATION
THE DEVELOPMENT OF
CO-OPERATIVE EDUCATION AND TRAINING
IN VICTORIA

Research Report
Prepared for
The Victorian Ministerial Advisory Committee
on Co-operation

by

Geoffrey Meredith
Brian Greer

December 1984

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NOTE: The summary has been prepared by MACC and not by the
 authors.

THE DEFINITION

The fifth principle of co-operation adopted by the International Co-operative Alliance is that:

All co-operative societies should make provision for the education of their members, officers and employees and the general public, in the principles and techniques of co-operation, both economic and democratic.

Co-operative education and training is both "education" and "training" that facilitates the understanding of co-operative philosophy and principles, and also that which is necessary for the operation of viable enterprises which are run according to co-operative principles and practice.

Co-operative education and training is defined as including the whole range of knowledge and learning associated with establishing and operating a business enterprise.

THE METHODOLOGY

Four surveys designed to provided insights into the provision of co-operative education and training in Victoria in 1984 were conducted - a random sample survey of members of co-operatives throughout Victoria, a survey of co-operatives, a survey of providers and potential providers in Victoria and a survey of participants in courses organised by the Co-operative Federation of Victoria and Preston TAFE.

Some 2000 questionnaires were sent to members on a random basis and over 300 responses were received but 293 only were usable for the analysis. This represents a response of almost 15%. The objective was to determine the extent to which members had and planned to participate in education and training programmes and gain opinions on program types, timing and methods.

Questionnaires were sent to a total of 345 co-operatives: 150 credit, 107 trading, 74 producer and 14 rental housing co-operatives. The total response was 70 representing slightly over 20%. More responses were received from credit co-operatives than other types - 34 out of a total of 150 - representing something over 20%. The objective was to obtain details of education and training needs and opinions on co-operative education needs.

The providers survey included Universities, Colleges of Advanced Education, Institutes of Management, Chambers of Commerce, TAFE Colleges and Consulting Organizations. A total of 190 questionnaires were distributed with a response of less than 10% - 18. This survey was designed to obtain information on courses currently offered by providers specifically designed for co-operatives and courses which providers considered would be useful for co-operative personnel.

Surveys were also undertaken of participants in courses offered by Preston TAFE (39) and the Co-operative Federation of Victoria (25).

Interviews based on a survey format were also conducted with eighteen key individuals or groups of personnel associated with the co-operative movement in Victoria and N.S.W. The objective of these interviews was to solicit detailed input by those who have had experience with co-operatives in Australia and Victoria from an overview vantage point, and who would not be covered by the questionnaire survey. Interviews were conducted with officers of the four major relevant educational institutions in Victoria to explore the possibilities of involvement with co-operative education and training - the Victorian Post Secondary Education Commission, the TAFE Board, the Victorian Education Department and the Trade Union Training Authority (TUTA). Twenty one major co-operative institutions/organisations overseas was contacted - U.K. (7), U.S.A. (5), Canada (4), Sweden (2), Switzerland (2) and Israel (1).

THE DIVERSITY

While co-operators and co-operatives agree that there is an essence of co-operative philosophy - democracy, mutuality and autonomy - there is by no means unanimity on the nature and meaning of this essence. Laidlaw has suggested that there could be two problems with the current principles of co-operation adopted by the International Co-operative Alliance: (a) they have tried to raise current practice to the level of principle instead of identifying the principle itself, and (b) they seem to be based chiefly on consumer co-operatives and do not apply as well to other types, for example agricultural, worker and housing co-operatives.

Of particular significance when looking at co-operative education and training is that the application of co-operative philosophy and its principles varies according to co-operative type. Analysing member democracy as it applies to worker co-operatives and to consumer co-operatives serves as a good example. Worker members, who exclusively make up the membership of worker co-operatives, own and control the business and one of its central aims is to provide employment for themselves. The worker members are enfranchised with complete control over their co-operative through the general meeting of workers, election of directors and the appointment of management from and by workers, and therefore application of the co-operative principle of member democracy and all that that entails and its implications for co-operative education and training.

The central objective of a consumer co-operative is to provide common goods and services. Irrespective of, but without in any way diminishing the importance of the role of the employees, the consumer members democratic rights must be fully catered

for, i.e. consumer democracy and all that that entails and its implications for co-operative education and training which will be different than for the worker democracy just outlined.

Different types of co-operatives will require co-operative education and training targeted to their individual needs and the requirement could in turn vary between co-operative types, or within any one type of co-operative, according to the co-operatives' size and stage of development. A manager or potential manager of a large producer/marketing co-operative, of which there are a number in Victoria, will have different educational needs to those of a manager or potential manager of a small credit co-operative. The needs will differ for a member of a trading co-operative from that of a member, who is also by definition a worker, of a worker co-operative - a type of co-operative relatively undeveloped in Victoria at present. In turn the educational needs of a worker in a small worker co-operative will differ in some respects to those of a worker in a large worker co-operative. The structure adopted by a co-operative will also affect the education and training requirements. A worker co-operative may operate with or without a Board of Directors. Nonetheless, the same decisions will need to be made while the decision-making process will be different and each co-operative will have to learn how to achieve democratic and efficient decision-making process within its own chosen structure.

The majority of co-operative education and training will need to meet the specific needs of particular target audiences. The implications of this are that the design, development and delivery of co-operative education and training and the structure within which it operates will need to directly cater for meeting the specific needs of particular target audiences.

There are a few subject areas where co-operative education and training could be provided to common audiences of all the target audiences. Although courses in these subject areas will tend to be at a general introductory level they could play an important role in bringing people together. There is also scope to introduce additional courses or course material to one type of co-operative's education and training program which aims to inform that audience about other types of co-operatives. In addition, in some cases, course material can be developed and then adapted to more specialized educational needs. In order to implement these points a suitable central mechanism will be required in addition to that which will be needed to meet the needs of particular target audiences.

THE NEED

As an educational strategy, it is essential to identify target audiences for co-operative education and training and to understand the nature of those audiences.

Target audiences have been classified by four major classifications:

Function

Co-operative type

Size of co-operative

Developmental Stage.

1. Function

- (a) Potential co-operators - people who are currently unaware of or have limited awareness of co-operatives, and who would, if they were more aware, lend support to and/or become involved with co-operatives or become a member of a co-operative(s) - the schools population - both primary and secondary; the general public; and specific potential co-operators such as tertiary students, employees in commerce, industry and government and professionals who may see a possible career with the co-operative movement.

- (b) Multiplier Agents are those professionals having a significant influence on a large number of all professionals who in one way or another are associated with co-operatives, including accountants, solicitors and consultants, industry associations, executives, government employees, trainers and educators, researchers and policy makers, co-operative education and training trainers.
- (c) Committed intenders are people who are intending to establish a co-operative. This group's needs extend beyond a broad understanding of co-operative philosophy and its principles to practical applications and all that is involved in operating a viable co-operatively run enterprise, e.g. organization and management, finance and accounting, marketing and sales.
- (d) Members or potential members of existing co-operatives in order to effectively implement the central co-operative principle - co-operative societies are democratic organizations - members must be educated and trained to effectively participate in the co-operative.
- (e) Directors or potential directors of existing co-operatives Directors need to be able to fulfil their functions and responsibilities effectively and with due regard for legislative requirements and where there are structures that are not governed solely by Boards or do not have Boards of directors at all, education and training of relevant responsibilities traditionally undertaken exclusively by directors needs to be refocussed to members of the new government system.

- (f) Managers or potential managers of existing co-operatives existing managers to exercise appropriate technical management skills within the context of a co-operative environment; a business enterprise underpinned with co-operative philosophy and its principles and practice.
- (g) Worker-employees or potential worker-employees of existing co-operatives. Worker-employees in their capacity as workers and not in other roles they may have as members, directors and so on.

2. Co-operative Type

- (a) Marketing or producer co-operatives whose members are self-employed individuals or businesses who provide similar products or services, who have joined together with the purpose of buying or selling collectively goods and services. Their activities are often to do with farming or agriculture.
- (b) Consumer co-operatives whose members are individuals who join together to provide a variety of common goods or services with the purpose of variety of common goods or services with the purpose of continued provision of services or benefits to members - food, credit, rental housing and trading co-operatives.
- (c) Worker or industrial co-operatives whose members are workers who join together to conduct a business and enjoy the benefits of employment and who have continuing employment as a central objective.

- (d) Community service co-operatives whose members join together with the purpose of providing community facilities or services.
- (e) Sustainable community co-operatives have been defined by a recent study as having members "who consciously function co-operatively as an inter-dependent group enabling them to live sensitively with each other and their environment for at least a generation".

Objectives and business activities of various types of co-operatives are significantly and substantially different from other types, and education and training programs would be required to take these differences into consideration.

3. Size of co-operative

Within any one type of co-operative, and between types of co-operative, there can be significant variations in size in terms of numbers of workers-employees from small - 0 to 15, to large - 100+. These variations will have implications for the educational needs of co-operatives.

4. Developmental Stage

A particular type of co-operative may be relatively underdeveloped or relatively well developed in terms of numbers, membership and assets. As set out in detail in Section 1, there are significant differences in the stage of development of different types of co-operatives in Victoria in 1984.

- 182 - CONSUMER -

Producers/marketing, trading, credit and community co-operatives are relatively well developed compared to worker, food, sustainable community and rental housing co-operatives. This will have a significant effect particularly on the resourcing of co-operative education and training.

This analysis of co-operative target audiences is the key to the establishment of a framework for the long-term development of co-operative education and training in Victoria. It enables educationalists to focus more accurately on the needs of their clients or potential clients.

The surveys of both co-operatives and providers as potential providers revealed that there is a commonality of response to the following topics:

- Co-operative principles
- Co-operative structures
- Board management relationships
- Basic accounting and financial reporting
- Performance management
- Annual financial planning
- Information sharing
- Time management
- Membership building
- Membership commitment
- Effective decision-making
- Co-operating with people
- Communication skills

These topics can be further classified into five broad categories:

1. Co-operative philosophy and its principles and practice.
2. Directors and elected officials' roles, responsibilities and relationships.
3. Key business disciplines, e.g. management, finance, marketing and production control.
4. Group development and interaction amongst members.
5. Personnel development.

The scope of this list highlights the need for the wide definition of education and training.

The reported most important personal development topics were making effective decisions (24%), co-operating with people 26 (17%), communications skills 21 (14%) and negotiating with people 16 (11%).

Surveys of members, co-operatives, and providers or potential providers sought information on opinions concerning the preferred delivery methods of short courses, and preferred timing of short courses. Members showed a high preference for day programs - either one full day or longer - with a second preference for evening programs - one evening over several weeks. Also favoured were programs offered for a few hours per day over a number of days, weekends, and several evening programs each week.

Co-operatives showed a preference for one day programs, with second preference for programs over a few hours per day for a number of weeks followed by evening or weekend programs. Providers or potential providers also favoured day programs with second preference being for evening programs or for programs for a few hours per day over a number of weeks (however the response was very small and therefore the result is questionable).

Another set of questions sought preferences on delivery methods. Co-operatives favoured seminars or lectures followed by discussion with reasonably strong support for workshops and small discussion groups. Tertiary institutions from providers or potential providers favoured workshops, in-house sessions and skills transfer from consultants. An analysis of the presentation methods employed by the overseas organizations and institutions generally endorse the finding of the surveys. Full day programs are common and range from one day to 2-3 weeks. Those over one day in length are usually residential with these institutions often housing their on live-in facilities. Courses do vary however according to the needs of specific target audiences - for example the Toronto Housing Federation holds its courses on weeknights and weekends.

Of 220 respondents the most preferred delivery preferences for that course were:

Seminar - lecture and discussion 48 (22%)
Workshop 41 (19%)
Small group discussion 39 (18%)

Co-operatives were asked what their preferred institutions were for the delivery of co-operative education.

Of 421 respondents the most preferred choices were:

Co-operative Associations 52 (12%),
Registrar of Co-ops 50 (12%) and
TAFE Colleges 44 (11%)

It was established early in this report that the necessary integration of co-operative philosophy and its principles with many business disciplines requires, firstly, specialist co-operative presenters/trainers, and secondly, a variety of other multiplier agents including non specialist presenters/trainers who understand co-operative philosophy and its principles and practice. Overseas organizations and institutions who employ full time co-operative trainers. Specialist co-operative trainer/presenters need to have training skills and co-operative skills. In Victoria, efforts need to be made on two fronts: firstly people who are training to be trainers should be provided with the opportunity to learn 'co-operative skills'; and secondly co-operators should have the opportunity to learn training skills. As previously recommended the establishment of award courses for co-operative trainers is a high priority; however the urgent need for co-operative trainers will necessitate some short term solution. The immediate recruitment of appropriate personnel, including existing co-operators and the providing of resources for these people to undertake trainer-training courses or short courses on co-operatives is necessary. This should be complemented by the use of an overseas specialist co-operative trainer(s) (a number of which, it was noted earlier, have offered to assist).

THE PRACTICE

Interviews were conducted with the five major providers of co-operative education and training; and surveys carried out amongst co-operatives, members of co-operatives, providers, and participants in programs of two of the major providers.

Victorian Credit Co-operative Association
Holmesglen College of TAFE
Co-operative Federation of Victoria
Preston College of TAFE
Department of Employment and Industrial Affairs

The major co-operative education and training activities that do exist in Victoria at present - Victorian Credit Co-operative Association, Holmesglen College of TAFE, Co-operative Federation of Victoria, Department of Employment and Industrial Affairs and Preston College of TAFE - all provide however, valuable examples and lessons for the development and expansion of co-operative education and training in Victoria.

1. The education and training activities of the Victorian Credit Co-operative Association, whose membership covers 90% of Victorian Credit Co-operatives, the major emphasis has been on staff and to a lesser degree directors, while the Australian Institute of Credit Union Management has favoured on Management.
2. The target audience for the co-operative education and training activities of the Holmesglen College of TAFE is unemployed people from 15 to 24 years. This newly developing course is part of a Participation and Equity Program and involves the participants in establishing and running a simulated worker co-operative.

3. The training seminars offered by the Co-operative Federation of Victoria are for directors or potential directors and the majority of those that attend are from producer/marketing and trading co-operatives.
4. The former Ministry of Employment and Training* (MEAT) has played a facilitative role with regard to co-operative education and training; with a particular, but not exclusive, focus on worker co-operatives. Apart from its funding of co-operative education and training activities at Preston College of TAFE and Ballarat College of Advanced Education, the Ministry has produced or commissioned booklets, pamphlets, kits, case studies and videos; and has convened an educational committee and worker co-operative working party (one of the five established by the Ministerial Advisory Committee on Co-operation (M.A.C.C.)); both M.E.A.T. and M.A.C.C. have held seminars/forums and made available publications for common audiences.
5. The co-operative education and training activities of the Preston College of TAFE which are funded by the Ministry of Employment and Training Co-operative Development Program are directed primarily at small worker co-operatives. The College's work consists of courses both for people interested in and those in the process of setting up a worker co-operative; and counselling for established worker co-operatives. Education and training for existing worker co-operatives, although part of the College's co-operative education model is not currently carried out, apart from a counselling service. Preston College co-operative education and training activities audiences consist mainly of small worker co-operatives with memberships of less than fifteen. Ballarat College of Advanced Education offers a counselling service and has conducted one workshop for existing small worker co-operatives.

* now Department of Employment and Industrial Affairs

Of the 18 responding, one institution (6%) claimed that it had offered specifically designed courses for co-operatives during 1984 while 10 (56%) claimed that courses were offered which would be of assistance for co-operatives.

The survey of 293 co-operative members regarding their participation in education and training during 1984:

Have participated	25%
Have not participated	<u>75%</u>
	<u>100%</u>

The participants were classified by type of co-operative:

	Producer/ Marketing	Trading	Food	Credit	Rental Housing	Worker	Community
Participated	36%	26%	16%	24%	18%	74%	20%
Have not Participated	64%	74%	84%	76%	82%	26%	80%

The table below summarizes the number of educational training hours per person (per employee) completed or planned for 1984.

Survey of Co-operatives
1984 Education/Training Hours

	TOTAL PERSONNEL HOURS 1984	AVERAGE PER EMPLOYEE	AVERAGE PER MEMBER
Producer marketing	89 hours	13 hours	.07 hours
Trading - worker	180 hours	30 hours	.05 hours
Trading - food	77 hours	3 hours	.06 hours
Trading - other	47 hours	7 hours	.03 hours
Community	3 hours	3 hours	.15 hours
Credit	332 hours	20 hours	.05 hours

It could be argued that every co-operative should plan for, say, 10 hours per member per annum; a figure which would require a dramatic increase in the total hours provided for education and training in Victoria for co-operatives.

Participants who have taken part in education and training programs specifically designed for co-operatives however, have not been overly impressed with the quality and excellence of those programs. Further effort is needed to improve the quality of programs specifically designed for co-operatives.

In the survey of Co-operative Members, Rating of Courses Attended, on a scale of 1 - 7 was:

Producer-Marketing	5.56
Trading	5.06
Food	5.86
Credit	4.74
Rental Housing	5.00
Worker	4.98
Community	<u>5.01</u>
TOTAL RESPONSE:	<u>5.04</u>

The Victorian co-operative sector's net growth is static in terms of numbers of co-operatives: those co-operative types classified as developed (producer/marketing, trading, credit and community), which are in the majority, are static or declining in numbers; and while there is growth in types classified as underdeveloped (food, rental housing, worker and sustainable community) these are still small in number.

Co-operative education and training in Victoria in 1984 is minimal and has had little impact on the movement. Current provision covers only a fraction of existing or potential co-operative target audiences identified. Co-operative education and training is undeveloped in terms of:

- (a) Availability of co-operative courses and programs.
- (b) Availability of co-operative trainers.

- (c) Existence of a co-operative education and training delivery institution(s) or the use of existing delivery institutions.
- (d) A structure within which co-operative education and training can develop.

Only one in four members of co-operatives have taken part in education and training programs of any kind in Victoria during 1984. Efforts to increase this proportion appear justified.

Few tertiary institutions or other potential providers of education and training programs for co-operatives have designed and offered programs specifically for co-operatives. A number claimed that programs offered were suitable for co-operatives, however the response from potential providers was dismal indicating little interest in co-operatives or an apparent inability to understand the needs of education and training programs for co-operatives.

While some employees of average co-operatives held awards of varying types, additional education and training is justified to increase the proportion of employees holding a formal award suitable for management of co-operatives.

Total personnel education and training hours undertaken or planned by co-operatives for 1984 were relatively low and in many cases close to zero, indicating a need for an extensive expansion in total education and training hours for co-operatives.

Education and training for potential co-operators (schools, general public and specific) is virtually non-existent except for the work being done by Holmesglen College of TAFE in the area of worker co-operatives. No provisions were identified for multiplier agents, including the vital sub-category of trainers for co-operatives. The only provisions for committed intenders are the pre-co-operative courses conducted for small worker co-operatives by Preston TAFE (and planned to be extended to

Ballarat C.A.E.). Education and training provision for existing co-operatives is patchy: for producer/marketing and trading co-operatives it is concentrated on directors; while credit co-operatives have provision for directors, managers and staff, there is a noticable gap in the area of member education; and whereas there are counselling services for small worker co-operatives there are no courses available. There is no provision for members/personnel of community or sustainable community co-operatives, rental housing co-operatives or food co-operatives (although recognition should be given to advisory services and publications provided by the Ministry of Housing's rental housing co-operative unit and the Co-operative Housing Advisory Service (CHAS), and to the work of the Victorian Food Co-operative support group). For common audiences there have been only occasional seminars and publications on co-operatives.

The lack of member education even amongst the co-operative education and training component that does currently exist is disturbing given that member education and training is regarded by world co-operators as critically important to the central co-operative principle of democracy.

THE PRINCIPLES

The following five principles should underpin the development of co-operative education and training in Victoria:

1. The structure adopted has to ensure that the majority of co-operative education and training undertaken is tailored to meet the needs of specific target audiences.
2. The structure has to make the best use of existing educational institutions and systems. In the light of the nature and availability of existing institutions this research report strongly favours the suggestion made in the Ministerial Advisory Committee on Co-operation's Information Paper that it 'may be best to utilize the existing educational system rather than create an independent, but resource starved, co-operative education system'.
3. The structure must ensure that co-operative education and training is available at a regional and local level. This is in line with both the existing spread of co-operative activity throughout the State and the Victorian government's regional policies.
4. Whilst the structure must cater directly for specific audiences it must also be capable of catering for those areas where it is appropriate for co-operative education and training to be provided to common audiences.
5. The structure is also required to provide for the facilitation of and a co-ordinated approach to, co-operative education and training in Victoria, (particularly in the first instance in order to cope with the undeveloped nature of co-operative education and training in Victoria and the resultant priorities).

THE STRUCTURE

The survey of co-operatives indicated that co-operatives saw the Registrar of Co-operatives, co-operative associations and TAFE colleges having significant roles; and other groups that could be involved included institutes of management, colleges of advanced education and co-operative federations. The providers gave greatest weight to co-operative associations, TAFE colleges and a co-operative federation. Co-operatives were also asked to indicate which institutions were not favoured in being involved with education and training and the three groups which stood out in the response in this regard were trade unions, chambers of commerce and banks or financial institutions.

One example of the successful use of TAFE as a delivery system for short courses for co-operative education and training is Preston College. In piloting pre-co-operative courses for worker co-operatives the Preston TAFE small business centre showed a willingness to work with co-operative personnel to develop appropriate courses and to utilize co-operative personnel as presenters; and also showed a desirable level of flexibility in altering the courses in the light of feedback. With this type of working relationship it can easily be conceived how TAFE could be used not only for pre-co-operative courses for other developing co-operatives (e.g. food, rental housing) but right across the spectrum of target audiences previously identified. The multidisciplinary capabilities of TAFE colleges and their regional locations are both extremely attractive points in favour of their further use. The Council of Adult Education is also part of the TAFE system. However, there are a few noteworthy points about the Preston College experience which should be taken into account in any new applications.

1. The Small Business Centre at Preston College is regarded as fairly innovative in approach and other TAFE College Units may not be quite as adaptable and flexible.

2. The cost of Preston pilot pre-co-operative courses, the major one of which ran for 3 months, were borne entirely by the Ministry of Employment and Training and in a number of cases the participants were receiving payments for the time spent at the course from government employment schemes.
3. The conclusion reached by this research was that there was an urgent need for the development of presenters and course content to better suit the needs of co-operatives. The use of TAFE as a delivery institution in no way lessens the need for resources and initiatives to be taken by the relevant parts of the co-operative sector.

The TAFE Board is favourable towards involvement with co-operative education and training.

Another significant delivery institution which offers short courses is the Trade Union Training Authority. TUTA has agreed to organize a course for co-operatives funded by MEAT under the Co-operative Development Program for which details have yet to be finalized.

TUTA is a statutory authority established for trade union training in Australia by a 1975 Federal Government Act. TUTA's function is to plan and develop, and to undertake, programs of trade union training in Australia; to co-ordinate trade union training in Australia; and to promote the provision and undertaking of trade union training. Eligibility for use of TUTA's resources requires that a person be a trade union member and that the training program to be undertaken be endorsed by the relevant union.

TUTA has concentrated its own training activities in providing courses primarily for trade union position holders (or potential holders) although a unionist could attend them if not a position holder if a relevant trade union chooses to nominate her/him.

It was ascertained that co-operative members who are trade union members and who are not position holders can explore other avenues:

1. Seminars on particular topics from time to time.
2. Industry-specific courses. A trade union can ask the Trades Hall Council which in turn asks TUTA to put on an industry-specific course made up of topics determined by consultation.

The proposed structure centres around a relatively inexpensive central education and training authority which facilitates and co-ordinates co-operative education and training in Victoria and assists a number of education and training committees (most of which will desirably become part of an Association of a particular co-operative type); which in turn identify and jointly develop education and training courses and programs with a variety of suitable and regionalized existing institutions. In the short term this appears to be a more practical and better use of scarce educational resources than establishing a new Co-operative College. There is nothing in the implementation of the proposed structure which would prevent the eventual establishment of a Victorian or Australian Co-operative College in the medium or long term. The nature of the activities of the Co-operative Education and Training Authority will change as co-operative education and training becomes more established, for example the need to facilitate curriculum development and trainer training will become less urgent. It is submitted that scarce resources should be put into establishing the structure proposed using existing educational facilities and that the Co-operative College concept be reviewed at a later stage of development.

The establishment of this proposed structure for co-operative education and training in Victoria will result in:

- * the development of courses and programs for the whole range of co-operators and potential co-operators as identified in the framework for target audiences.
- * The availability of existing educational facilities for use by co-operators and potential co-operators.

As a result the growth, vitality and efficiency of the co-operative sector will be greatly enhanced, which will in turn enable it to fulfil its role as an agent for social and economic change.

The establishment of effective education and training committees by each of the types of co-operatives, preferably as part of incorporated Co-operative Associations, is an essential element in ensuring that co-operative education and training is correctly targeted to meet particular educational needs and thereby achieve its objectives.

A co-operative education and training committee would be established for and by each co-operative type (producer/marketing, trading, credit, food, rental housing, worker, sustainable community, community), ideally as part of its own Co-operative Association. The Victorian Credit Co-operatives already have an active Co-operative Association (V.C.C.A.), whilst there are proposals prepared or being prepared for rental-housing, food and worker co-operatives to establish Associations. Trading co-operatives have an existing but currently inactive Association. In general terms the committee would facilitate and co-ordinate the research, design and development of courses and programs for the specific needs of particular target audiences within their co-operative type, and also to co-ordinate the use of the appropriate existing educational institutions and systems on a regional basis for delivery of these courses and programs.

This part of the proposed structure addresses the first three of the principles just outlined i.e. a structure which meets the specific needs of particular target audiences, using a range of existing educational institutions and delivery on a regional basis.

The Co-operative Education and Training Authority (C.E.T.A.) would consist of the Board and a Unit to carry out its activities, addresses the fourth and fifth principles established at the beginning of this section. The roles of the Board and the Unit would in general terms be to provide for the facilitation of and a co-ordinated approach to co-operative education and training in Victoria. Four broad areas where facilitation and co-ordination needs to take place have previously been identified.

- (a) To assist the education and training committees of each co-operative type.
- (b) To facilitate the establishment and effective functioning of education and training in areas not covered by the education and training committees of the different types of co-operatives - notably for primary and secondary schools and award courses in tertiary institutions.
- (c) To facilitate the development and delivery of courses in the areas where co-operative education and training can be provided to common audiences e.g. introductory course on co-operatives.
- (d) In each of these areas the Authority will be involved with the cross-fertilization and interchange between people, ideas and materials both within Victorian and between Victoria, N.S.W. and overseas.

The Co-operative Education and Training Authority would be an incorporated body. The Board would be controlled by the

co-operative movement with membership consisting of members of the individual co-operative types' education and training committees (who will desirably be part of Co-operative Associations), and representatives from the Ministerial Advisory Committee on Co-operation or its proposed successor, the Victorian Co-operative Council. It would be beneficial to involve officers from relevant major educational institutions such as TAFE, TUTA, Colleges of Advanced Education, Universities and the Victorian Education Department by inviting them to be non-voting members of the Board. The incorporation of CETA as a Federation under the 1981 Co-operation Act should be examined as a possibility.

Both award and short courses should be developed for co-operative target audiences in Victoria. In addition, there should be a well planned and systematic interaction of people, ideas and materials -

- (a) Within Victoria, particularly centred around the co-operative education and training experiences of the Victorian Credit Co-operative Association, Holmesglen College of TAFE, the Co-operative Federation of Victoria, the Ministry of Employment and Training and Preston College of TAFE.
- (b) Between Victoria, N.S.W. and overseas organizations and institutions offering co-operative education and training.

Award courses be developed for a variety of co-operative or potential co-operative personnel; and for multiplier agents, including co-operative trainers for whom there will be an early need. With respect to award courses, it is recommended that:

- (a) Several Colleges of Advanced Education (in Melbourne and country regions) be encouraged/assisted to add co-operative units to suitable undergraduate programs.

- (b) All TAFE Colleges be encouraged/assisted to add some award units to their programs.
- (c) At least one University in Victoria be encouraged/assisted to add co-operative course units to undergraduate degree programs, and to introduce a post-graduate Diploma or Masters award in co-operative studies to train multiplier agents.

Short course development is required for:

- (a) committed intenders
- (b) multiplier agents, including co-operative trainers
- (c) induction of new members of existing co-operatives
- (d) existing co-operators in the areas of co-operative philosophy, directors and elected officials, key business disciplines, group development and interaction amongst members and personnel development. The latter two are particularly important to ensure that member education is fully catered for so that effect is given to the central co-operative principle that co-operatives are democratic organisations.

A wide range of short courses should be developed. The following stand out as areas for short courses development. In each area listed the courses would need to be tailored to meet the educational needs of the specific co-operative target audience under consideration at that time.

- (a) Courses for committed intenders in areas where new co-operatives are being established such as food and rental housing (and the continuation of the existing worker co-operative course).

- (b) Courses for multiplier agents - in the short term of particular importance are courses for trainers in co-operative education and training.
- (c) Induction courses for all new members of existing co-operatives.
- (d) Courses available for existing co-operatives in the following areas noting that the last two are of particular importance for co-operative democracy-

- *Co-operative philosophy;
- *Directors and elected officials;
- *Key business disciplines;
- *Group development and interaction amongst members
- *Personnel development.

Short courses should also be developed in the areas, although limited, where co-operative education and training can be provided for common audiences, such as a multi-purpose introductory course on co-operatives.

The importance of qualified presenters/trainers in co-operative education and training, particularly in Victoria at its early stage of development, and the desirability of award courses for trainers, has been noted previously. To overcome the lack of such trainers in the short term it is recommended that appropriate personnel, including existing co-operators be immediately recruited and resources made available for them to undertake short trainer-training courses or short courses on co-operatives. This strategy should be supported by the use of overseas specialist co-operative trainers, a number of which have offered assistance. In addition it is recommended that all multiplier agents involved in co-operative education and training be encouraged to attend, at a minimum, introductory courses on co-operatives once these become available.

The responsibility of co-operatives themselves regarding education and training should be emphasised and it is recommended that co-operatives be encouraged to establish educational committees which plan, implement and revise educational strategies for their members.

In the delivery of co-operative education and training a variety of presentation methods should be employed, but ensuring that member education is fully catered for so that effect is given to the central co-operative principle that co-operatives are democratic organizations.

Co-operative Associations, the Registrar of Co-operatives, TAFE Colleges, Institutes of Management, Colleges of Advanced Education, the Co-operative Federation, the Small Business Development Corporation and Universities be encouraged/assisted to offer short courses for co-operative target audiences.

The Trade Union Training Authority be utilized to deliver short courses. In addition to the use of existing courses, it is recommended that a jointly developed (TUTA-Co-operative) Co-operative Industry Specific Course on Industrial Democracy, primarily targeted at worker co-operatives, be resourced.

Primary and secondary school curriculum development is of particular importance because of the need to attract new co-operators in order for the co-operative sector to grow in size. Pursuit of the following tasks is recommended:

- (a) Discussion and establishing of links at a senior level with key government departments and organizations concerned with school education.

- (b) Establishment and resourcing of a nucleus of committed people to research and develop curriculum for co-operative education and training in schools.

The method, timing and organization, and location of co-operative education and training be varied and flexible, and appropriate promotion be used, keeping in mind the nature of specific target audiences, and in recognition of the non-training-orientated nature of a large percentage of personnel in co-operatives.

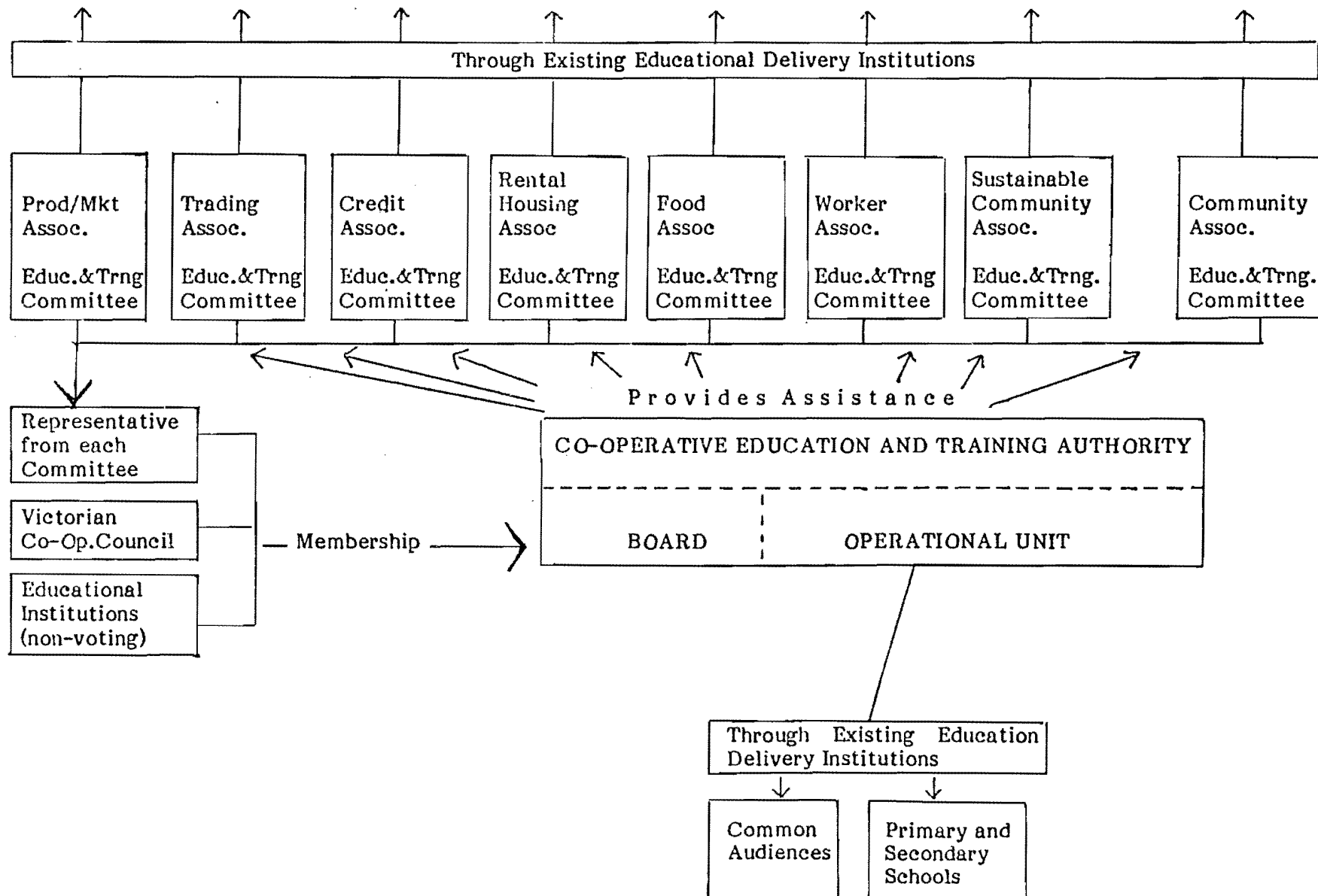
The establishment and effective functioning of education and training in areas not fully covered by the education committees of the different co-operative types:

- (i) Primary and Secondary schools;
- (ii) Award courses for co-operative target audiences. In particular C.E.T.A. will play the major role in establishing award courses for co-operative trainers, and, as a matter of urgency, in establishing short courses for co-operative trainers.

The development and delivery of courses in the areas where co-operative education and training can be provided to common audiences e.g. introductory courses on co-operatives.

The interchange of people, ideas and materials both within Victoria and between Victoria, N.S.W. and overseas.

C O - O P E R A T I V E S I N V I C T O R I A



THE IMPLEMENTATION

The Ministerial Advisory Committee on Co-operation obtain government funds to establish C.E.T.A. (annual estimated cost \$100,000), and co-operative education committees in undeveloped areas - worker, food, rental housing, sustainable community (annual estimated cost \$45,000 each). In addition government funds be obtained for initial curriculum development, estimates of which need to be ascertained.

The government should fund C.E.T.A. and the co-operative education committees of the undeveloped co-operative types initially. In the medium and long term a levy should be made on co-operatives as a permanent source of revenue to finance C.E.T.A. and co-operative types' own education and training committees as part of their Associations' activities. The Co-operative Federation of Victoria has recommended that this be set at .5 per cent of surplus. The Ministerial Advisory Committee on Co-operatives should facilitate a full discussion with the co-operative movement with a view to the establishment of a satisfactory level and mechanism to implement this.

The government will also need to bear the brunt of the initial funds required to research, design and develop co-operative curriculum. The cost of course development will vary considerably. Wherever possible joint funding should be sought from the educational institutions involved with the eventual delivery of courses and programs, e.g. Colleges of Advanced Education for the development of award courses; and/or funding should be sought from other possible sources, e.g. Commonwealth Participation and Equity Programs for schools. Course development costs will also vary according to the level of development of particular types of co-operatives. It has been emphasised that extensive development work is urgently needed for worker co-operatives and funds will need to be made available to the Trade Union Training Authority for part of this work. Particular priority areas identified in this report need preliminary exploration before implementation and this should include detailed costing for curriculum development.

CO-OPERATION. A GLOBAL PERSPECTIVE

RESOLUTION ON
CO-OPERATIVES IN THE YEAR 2000

Adopted by the 27th Congress of the International
Co-operative Alliance

The 27th Congress of the International Co-operative Alliance,

WELCOMES the Report on Co-operatives in the Year 2000 prepared by Dr. Laidlaw at the request of the Central Committee, and also welcomes the Joint Report prepared by the Central Co-operative Unions and Councils in Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, USSR, which described the economic environment in which co-operatives will probably operate during the next two decades as well as their prospects for the Year 2000;

NOTES that the Report prepared by Dr. Laidlaw takes a sombre view of economic prospects during the next two decades particularly in view of the growing oil shortage, its likely effect upon continuing inflationary pressures and rising unemployment, and the probability of continuing trade recession and rising trade barriers and breakdown of the international monetary system;

ACCEPTS that these Reports view with alarm the growing gap between the rich industrialised countries and the poor developing ones in spite of efforts by the UN and certain agencies to help developing countries; and that it commends the far-reaching proposals of the Report of the Independent Commission on International Development Issues;

NOTES that these Reports take account of the environmental crisis, the need to conserve natural resources and control pollution and the drift to

the towns; and of the prospect of severe food shortages as world food production falls short of the needs of growing populations;

AFFIRMS the vital need, if peace is to be secured and disaster is not to engulf mankind, for a significant reduction to be made in expenditure on armaments;

RECOGNISES that co-operatives will face increasing difficulties in a world in which wealth continues to be concentrated in a few countries and in the hands of a few individuals in many of those countries; and in the face of the growing power and wealth of multi-national corporations run for the profit of the few;

WELCOMES certain basic economic and social trends which help to bring hope to mankind: such as increasing concern about the inadequacy of a profit-motivated economy to meet human needs; proposals for an international development strategy by the United Nations to bring a fairer distribution of wealth and income and the benefits of development and the greater personal participation in a New International Economic Order; the emancipation of women;

DECLARES that growing interest in and support for co-operative development is one of these trends and that such development can make a major contribution to resolving some of the economic and social problems facing the world;

DECLARES further that the highest priority should be given to:

- (i) the development of agricultural co-operatives including agricultural producer co-operatives among small farmers, particularly in developing countries, with a view to increasing food production and raising the real incomes of primary producers;
- (ii) the promotion of industrial co-operatives and the conversion of existing industrial enterprises to the co-operative form of organisation so as to contribute to: an increase in incentive and productivity; a reduction in unemployment; an improvement in industrial relations and the development of a policy for a more equitable distribution of incomes;
- (iii) the further development of consumers' co-operatives in such a way as to emphasise the features which distinguish them most clearly from private traders and sustaining their independence and effective democratic control by members;
- (iv) the creation of clusters of specialised co-operatives or a single multi-purpose society, especially in urban areas, in such a way as to provide a broad range of economic and social services: housing, credit, banking, insurance, restaurants, industrial enterprises, medical services, tourism, recreation etc. within the scope of a single neighbourhood co-operative;

REGARDS these Reports as the beginning of a continuing process of research and self-examination by the World-wide Co-operative Movement; and therefore

ASKS member organisations to consider ways in which they, either by themselves or through representations to their governments for action or both, can help to bring about the implementation of these four priorities for co-operative development;

ASKS member organisations:

- (i) to make a careful study of the Reports;
- (ii) to participate in a continuing discussion on their implications;
- (iii) to select for comment those parts which are particularly applicable to their own situations and problems;
- (iv) to study and if necessary set up a research programme to examine future development throughout all sections of the co-operative system;

REQUESTS the United Nations and its Agencies to pursue with all possible vigour their objective of devising an international development strategy to create a New International Economic Order which will bring about a more participatory society and a fairer distribution of the fruits of development, and at the same time create more favourable conditions for sustained co-operative development;

REQUESTS member organisations to report regularly to the Central Committee the results of their investigations into the future directions of their own movements, and for the Central Committee to receive a special report in 1982 on this aspect.

APPENDICES

APPENDIX 1

CO-OPERATIVE PRINCIPLES

The principles of co-operation, laid down by the Rochdale Pioneers 140 years ago and reformulated by the 23rd Congress of the International Co-operative Alliance in 1966, are as follows:

Open Membership

Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.

Democratic Control

Co-operative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

Limited Interest On Share Capital

Share capital should only receive a strictly limited rate of interest.

Equitable Distribution of Surplus

The economic results arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense

of others. This may be done by decision of the members as follows: (a) by provision for development of the business of the co-operative; (b) by provision of common services; or (c) by distribution among the members in proportion to their transactions with the society.

Co-operative Education

All co-operative societies should make provision for the education of their members, officers, and employers and of the general public, in the principles and techniques of co-operation, both economic and democratic.

Co-operation Between Co-operatives

All co-operative organisations in order to best serve the interest of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national, and international levels.

APPENDIX 2

MACC SUBMITTERS

Ararat High School
Co-operative Limited
Benbow St
ARARAT. 3377.

Associated Herd Improvement
Co-operative Limited
422 Collins Street
MELBOURNE. 3000.

Bairnsdale High School
Co-operative Limited
P.O. Box 364
BAIRNSDALE. 3875.

Bennettswood Bowling
Club Co-operative Limited
179 Station Street
BOX HILL. 3128.

Bimbadeen Heights Co-operative
Society Limited
Hayrick Lane
MOOROOLBARK. 3138.

Birralee Primary School
Co-operative Limited
Heyinton Ave
DONCASTER. 3108.

Blackburn High School
Co-operative Limited
Springfield Road
BLACKBURN. 3130.

Camberwell Grammar School
Co-operative Limited
P.O. Box 151
BALWYN. 3130.

Carwatha High School
Co-operative Limited
P.O. Box 270
NOBLE PARK. 3174.

CHAS
Rental Housing Co-operative
Advise Service Limited
574A Chapel Street
STH. YARRA. 3141.

Chelsea Yacht Club
Co-operative Limited
Foreshore
CHELSEA. 3196.

Cheltenham East Primary
School Co-operative Limited
Silver Street
CHELTENHAM. 3192.

City of Frankston Bowling
Club Co-operative Limited
C/- Suite 2
Balmoral Centre
BALMORAL PARK.

Cohuna Bowling Club
Co-operative Limited
Recreation Reserve
COHUNA. 3568.

Cohuna Historical Society
Co-operative Limited
3 Murray St
COHUNA. 3568.

Daniel L. Peiris
36 Collendina Cres
SCORESBY. 3179.

Dead Bull Farming
Co-operative Limited
Dead Bull Farm
RSD Goongerah
via Orbost. 3888.

East Doncaster-Donvale Tennis
Co-operative Limited
9 Kalingur Drive
DONVALE. 3111.

Eltham Bowling Club
Co-operative Limited
Cnr Susan and Bridge Sts
ELTHAM. 3095.

Fifth Glen Waverly Scout Group
Co-operative Limited

Fitzroy Community School
Co-operative Limited
597 Brunswick Street
NTH. FITZROY. 3068.

G.A.B.C. Community Advancement
Co-operative Limited
C/- R.V. Hoobin Public Accountant
92 Greenhill Rd
GREENSBOROUGH. 3088.

G.A.F.I.A. Co-operative Limited
32 Fairway Road
DONCASTER. 3108.

Gippsland Community Radio
Society Co-operative Limited
P.O. Box 32
CHURCHILL. 3841.

Glen Waverly High School Community
Development Co-operative Society
Limited
O'Sullivan Road
GLEN WAVERLY. 3150.

Gracedale Park Tennis
Co-operative Limited
37 Gracedale Ave
NTH. BAYSWATER. 3153.

G.W.B.C. Co-operative Limited
14 Pineda Crt
GLEN WAVERLY. 3150.

Heywood High School and District
Co-operative Limited
RMB 3610
PORTLAND. 3305.

Howquaview Co-operative
Society Limited
16 York St
HAWTHORN. 3122.

Kangaroo Flat (Bendigo) Co-operative
Housing Society Limited
Killians Walk
Hargraves St
BENDIGO. 3550.

Kensington Child Care Co-operative
19 Robertson St
KENSINGTON. 3031.

Kongoola Co-operative Limited
25 Stocks Road
MT. WAVERLY. 3142.

Koonung High School Co-operative
Elgar Road
BOX HILL. 3128.

Leongatha Primary School
Co-operative Limited
Horn Street
LEONGATHA. 3953.

Lorne Higher Elementary School
Co-operative Limited
Lorne H.E.S.
Grove Road
LORNE. 3232.

Lyndale Primary School
Co-operative Limited
Oakwood Ave
NTH. DANDENONG. 3175.

Macleod High School Co-operative
Society Limited
Strathallan Road
MACLEOD. 3085.

Maralinga Primary School Co-operative
Society Limited
Maralinga Ave
NOBLE PARK. 3174.

Marouka Ski-Club Co-operative Limited
14 James St
DANDENONG. 3175.

McKinnon Bowling Club
Co-operative Society Limited
Joyce Park
Tyrone St
ORMOND. 3204.

Melbourne International Shooting
Co-operative Limited
4 McKenna St
AVONDALE HEIGHTS. 3134.

Merrilands High School
Co-operative Limited
Merrilands Road
RESERVOIR. 3073.

Metcalf Co-operative Limited
75 Cooper St
ESSENDON. 3040.

Mimosa Primary School Co-operative
(No. 2) Limited
Mimosa St
GLEN WAVERLY. 3150.

Mitcham Bowling Club Co-operative
Society Limited
Halliday Park
MITCHAM. 3132.

Moorabbin Obedience Dog Club
Co-operative Limited
P.O. Box 430
MOORABBIN. 3189.

Moora Moora Co-operative
Community Limited
P.O. Box 214
HEALSVILLE. 3777.

Mordialloc Sailing Club
Co-operative Limited
10 Debbie Crt
DINGLEY. 3172.

Mortlake High School Co-operative
Society Limited
Hood Ave
MORTLAKE. 3272.

Morwell Football Club Co-operative
Limited
20 Hazelwood Road
MORWELL. 3840.

Morwell Golf Club Co-operative Limited
Maryvale Road
MORWELL. 3840.

Mountain District Badminton
Co-operative Limited
C/- C.W. Stirling and Co
Cnr Main & Devon Sts
CROYDON. 3136.

Mount Beauty High School
Co-operative Limited
Mount Beauty High School
MOUNT BEAUTY. 3699.

Mount Martha Bowls Club
Co-operative Limited
Ferrero Reserve
Watson Road
MOUNT MARTHA. 3934.

Mt. Toole Be Wong Conservation
Co-operative Limited
37 Oban Road
RINGWOOD. 3134.

Mulgrave Park Pre-School
Co-operative Limited
68 Albany Drive
MULGRAVE. 3170.

M.W. Irrigation Co-operative Limited
Box 1402
MILUDRA. 3500.

N.C.C. and S. Co-operative Limited
2 Sandgate Road
BLACKBURN STH. 3130.

Nonia Co-operative Limited
196 Gore St
FITZROY. 3065.

Norwood High School
Co-operative Limited
Byron St
NTH. RINGWOOD. 3134.

Para Park Co-operative Limited
Game Reserve
53 Wadham Pde
MT. WAVERLY. 3149.

Parkdale Tennis Club
Co-operative Limited
3 Eveline Ave
PARKDALE. 3195.

Pinewood Community
Co-operative Limited
12 Wallabah St
MT. WAVERLY. 3149.

Radio for the Print Handicapped
(Vic) Co-operative Limited
25 New St
BRIGHTON BEACH. 3186.

Rochester High School
Co-operative Limited

ROCHESTER. 3561.

Ron Mackenzie OAM, FASA. FBS.
14 Chisholm St
WANGARATTA. 3677.

Rosewood Downs Primary School
Co-operative Limited
140 Outlook Drive
DANDENONG NTH. 3175.

Rye Bowls Club
Co-operative Limited
Cnr Collingwood and Napier St
RYE. 3941.

Sandringham Bowls Club
Tulip St
SANDRINGHAM. 3191.

Scoresby High School Co-operative
Society Limited
Cavell St
SCORESBY. 3179.

Seddon Sports Club Co-operative
Limited
2 Alexander St
AVONDALE HEIGHTS. 3034.

Sherbrooke Art Society
Co-operative Limited
8 Monbulk road
BELGRAVE. 3160.

Ski-Lib Alpine Club
Co-operative Limited
612 Glenferrie Road
HAWTHORN. 3122.

Sorrento Sportmens Social Club
Co-operative Limited
David MacFarlane Reserve
Hotham Road
SORRENTO. 3943.

Southvale Primary School
Co-operative Limited
Athol Road
NOBLE PARK. 3174.

St Albans Sports Club
Co-operative Limited
30 East Esplanade
ST. ALBANS. 3021.

Stawell Sports Stadium
Co-operative Society
Limited
C/- Town Hall
STAWELL. 3380.

St. Kilda Income Stretchers
7 Duke St
ST. KILDA. 3183.

Stones Sharp and Co
Public Accountants
3rd Floor
377 Lt Collins St
MELBOURNE. 3000.

Strathmore High School
Co-operative Limited
Pascoe Vale Road
STRATHMORE. 3041.

Swan Hill Theatre Group
Co-operative Limited
194-208 Severidge St
SWAN HILL. 3585.

Terang Squash Courts
Co-operative Limited
Eastcarr St
TERANG. 3264.

The Historical Re-enactment
Co-operative Limited
GPO Box 20315
MELBOURNE. 3001.

Third-Sixth Noble Park Scout
Co-operative Limited
5 Putt Grove
NOBLE PARK. 3174.

Tinternvale Co-operative
Society Limited
C/- Tinternvale Primary School
Tintern Ave
BAYSWATER NTH. 3153.

Upper Yarra R.S.L.
Co-operative Limited
20 Hoddle St
YARRA JUNCTION. 3797.

Urimirra Co-operative Society
Limited
13 Windermere Court
BLACKBURN. 3130.

Wakiti Irrigators Co-operative
Society Limited
"Wabroom"
JUBILEE PARK.

Wandin Rudolf Steiner Curative
Home Co-operative Limited
Stevenson Lane
WANDIN EAST. 3139.

Wantirna Heights Primary
School Co-operative Limited
Kingloch Pde
WANTIRNA. 3152.

Werribee Fire Brigade
Co-operative Limited
Cnr Gibbons and Anderson Sts
WERRIBEE. 3030.

Werribee High School Co-operative
Limited
Duncans Road
WERRIBEE. 3030.

Westernport Waterside Workers
Co-operative Society Limited
650 Frankston Flinders Road
HASTINGS. 3915.

Williamstown C.Y.M.S. Club
Co-operative Limited
45 Chandler St
WILLIAMSTOWN. 3016.

Williamstown Sailing Club
Co-operative Limited
The Strand
WILLIAMSTOWN. 3016.

APPENDIX 3

CO-OPERATIVE DEVELOPMENT PROGRAM

STRATEGY STATEMENT

MAY 1985

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1. INTRODUCTION

For the 1985 State election the Government said that its employment strategy was an integral part of its economic policies and that this integrated approach recognised that:

training programs must be relevant
to existing job needs.

they must equip people for new jobs.

they must be consistent with an
improved quality of work.

they should not jeopardise existing
employment nor undermine existing
working conditions.

all workers must have equal access to
employment and training opportunities
and to safer workplaces.

Consistent with these approaches the Department of Employment and Industrial Affairs' Co-operative Development Program has an emphasis on permanent new jobs, improving the quality of work and maintaining and improving existing working conditions.

The Co-operative Development Program was established in April 1981. The objectives for the program are to provide technical and/or financial assistance for proposed, new or established co-operative business enterprises which:

1. demonstrate actual and/or potential economic viability within a reasonable time period.

2. apply co-operative principles in practice consistent with (1).
3. demonstrate a commitment to the democratisation of workplaces consistent with (1).
4. create and/or maintain jobs in supported co-operatives consistent with (1).

Technical assistance is provided through co-operative education and training courses and co-operative consultancy services. Financial assistance is in the form of loans for capital equipment and working capital and grants for operating costs.

While economic viability and workplace democracy have remained consistent aims, Government policy has required that priority be given to the development of worker co-operatives. This priority has been confirmed in a number of Government statements between April 1984 and February 1985:

"The Government will also continue to support the establishment of worker co-operatives subject to their capacity to achieve economic viability, their commitment to co-operative principles and industrial democracy, and meeting award wages and conditions" in Victoria: The Next Step The Economic Strategy for Victoria: Detailed Papers, Government Printer, Melbourne, 9 April 1984, p 25.

"The Ministry's priorities for funding are directed to worker, conversion and unionised co-operatives" in Workplace democracy: The Co-operative Way, Government Printer, 1984.

The Government's employment and training policy for the 2 March 1985 election included "improving technical and financial support for businesses wishing to convert to a co-operative structure" and "helping disadvantaged groups develop further employment opportunities through co-operative businesses enterprises and other activities." in Economics - The Next Four Years, February 1985, pp 19 and 20.

The experiences of the Co-operative Development Program must be placed in historical context. The significance of worker co-operatives in France and Italy today can be related directly to their original development in the late nineteenth century. The world-wide credit co-operative movement began in Germany in the 1860's. The Mondragon system of worker co-operatives started with the establishment of one co-operative in 1952. Co-operative development, therefore, is a matter of decades rather than a few years. Worker co-operative development in Australia is in its infancy - five years in N.S.W. and three years in Victoria.

2. ACHIEVEMENTS

Since its establishment in 1981 there have been considerable achievements:

1. The Department's program stimulated the Government's decision in 1984 to establish a Ministerial Advisory Committee on Co-operation. The Committee has been established to review the Co-operation Act and mechanisms for developing the co-operative movement. A M.A.C.C. conference and a co-operative education study were funded by MEAT.

2. Co-operative education and training has received a major impetus through funding of the MACC study "Education for Democracy" and development of the Co-operative Intenders and New Enterprise courses in conjunction with Preston College of TAFE. In recognition of this work, the Commonwealth Government is providing funds during 1985 to enable Preston TAFE to further develop these courses for worker co-operatives. The courses would subsequently be available through the TAFE system on a national basis. A Co-operative Management elective is also being developed for accreditation as part of the TAFE Certificate of Management.
3. An extensive body of co-operative literature is being developed - program leaflets, issue leaflets, case studies, a worker co-operative bookkeeping kit and The Co-operator magazine. There is no similar body of literature being developed elsewhere in Australia.
4. The program is accessible to ethnic groups with pamphlets and courses either already or to be available in Arabic, Turkish and Spanish. Translations in other languages are being prepared by the Ethnic Affairs Commission.
5. The program has facilitated the development of the food co-operative warehouse and resource centre through supporting the Victorian Food Co-operative Study Group, the warehouse and resource centre, central components of the Government's Anti-Poverty strategy.

6. Through convening of M.A.C.C.'s Worker Co-operative Working Party a theory for and model of worker co-operatives is being developed as is a proposed Worker Co-operative Association.
7. A number of co-operatives supported under the program are moving towards economic viability. Worker co-operatives currently supported include Australia's only feminist printery and the largest community-based video-television production house.
8. Liaison exists with co-operative development agencies in the U.S.A. and Italy.

3. CRITICAL FACTORS

The critical internal factors in the funding of co-operatives under the program are:

- 3.1 the enterprise plan
- 3.2 the viability criteria
- 3.3 the co-operative education and training courses
- 3.4 the funding committee membership
- 3.5 the funding assessment process
- 3.6 the funding agreement between the Department and co-operatives
- 3.7 the co-operative support services
- 3.8 the monitoring of funded co-operatives.

3.1 The Enterprise Plan

The prerequisite of funding is the preparation of an Enterprise Plan which includes the co-operative's philosophy, objectives, organisational structure and the marketing, financial, educational and industrial relations plans. More effort needs to be given to its democratic consequence and significance.

3.2 Viability Criteria

Formal written viability guidelines were developed by the then Ministry of Employment and Training in conjunction with the CDP Funding Committee in 1984. Viability guidelines do not, however, constitute a specific criteria against which applications are assessed.

Experience has demonstrated that although the viability guidelines are useful, the following additional specific criteria are necessary:

Bookkeeping system and financial statements Not all co-operatives funded have been able to generate early and prompt financial statements - the primary basis for the co-operative to assess its progress. It is proposed, therefore, that in future funding should depend on a demonstrated capacity to produce these statements. The co-operative support services should be able to verify this capacity.

Solvency Solvency is an issue particularly with companies converting into co-operatives. The risk involved in funding companies which are technically insolvent is excessive. Funding should only be available to conversion co-operatives if they are solvent. This would be established by commissioning an independent audit of the company. The solvency requirement is particularly important given (a) the range of other inevitable developmental problems experienced by conversion co-operatives; and (b) any inability by the CDP to effectively monitor co-operatives due to insufficient staffing.

Skill Audit The slowness or failure of co-operatives to attain economic viability is also related to the skills of its workforce.

No independent assessment, however, has been undertaken of workforce skills. It is proposed in the future, therefore, that co-operatives be required to demonstrate that the workforce has the necessary basic skills to operate proposed business enterprises. These skill audits could be undertaken by the co-operative support services.

Sponsors A succession of sponsored pre-co-operatives have failed under the program - enterprises sponsored by one group for another group. No funding should now be provided to allow external groups to sponsor co-operatives. Co-operative proposers should be the only proposed members and beneficiaries of the co-operative. This does not exclude an interim financial aegis arrangement where groups initially unincorporated are involved but the roles, duties and responsibilities must be clearly identified.

Trade Unions Non-unionised companies which convert into co-operatives have difficulties in the co-operatisation process because the workforce does not have a consciousness of worker rights. The introduction and continuation of a union presence is essential to protect the interest of workers. Funding should, therefore, depend on historical and future union membership and trade union support for the co-operative.

3.3 Co-operative education and training courses

The co-operative education and training courses are being developed in conjunction with Preston College of TAFE. It is recognised that the courses have not yet reached maturity nor fully succeeded in integrating co-operative philosophy and principles. Structure and content changes are ongoing and over the next four months a curriculum officer will re-design the course content. There is a Course Steering Committee which directs courses which contain co-op, college and Departmental representation.

3.4 Funding Committee membership

Membership of the Funding Committee has been under continuous review since its establishment in 1981. As a result of these reviews the membership has progressively changed. In 1984 for the first time a majority of the members came from the co-operative movement. A recent change now being introduced is that there will be representatives on the committee from the sector from which a co-operative applicant belongs. This will remove the problem of inappropriate judgements being made by co-operative sector representatives who are not sufficiently familiar with the needs of another sector.

3.5 The Funding Assessment Process

The effectiveness of the Funding Committee depends on the quality of the enterprise plans provided to the committee as much as it does on the quality of the committee itself.

After the closure of W.R. Renovations (a sponsored project which failed to become a co-op.) in December 1984, discussions were held with Preston College of TAFE and it was agreed that in future:

1. Sounding Boards established by Preston College of TAFE would receive completed copies of enterprise plans and their comments on these plans would be forwarded to the Funding Committee.
2. The College would undertake skill audits of each group applying for funding under the CDP and these would be provided to the Department prior to any decision on participation in the CDP Co-op Intenders Course.
3. The College would provide the Funding Committee with its own assessment of each Enterprise Plan.

The effect of these measures will be to improve the quality of information available to the Funding Committee.

3.6 The Funding Agreement

Funding of each co-operative under the CDP is subject to a funding agreement between the co-operative and the Department. In return for funding assistance, each co-operative is obligated to implement a code of organisational behaviour which includes the preparation of monthly financial statements, encouragement of trade union membership, the establishment of occupational health and safety committees and limited surplus distribution to individuals.

The funding agreement was referred in January 1985 to the co-operative support services at Preston and RMIT TAFE's and to the Department's solicitor to consider contractual and implementation problems with a view to improving the effectiveness of the agreement. These comments on the contract are now being examined by the CDP Unit.

3.7 Co-operative Support Services

Consultancy support services have been established for country (Ballarat CAE) and metropolitan (Preston College of TAFE) co-operatives. In theory, the support services assist co-operatives in identifying and preventing business difficulties and facilitate progress towards economic viability. In practice, however, the use of the support services is voluntary and sometimes they are not used at all or used ineffectively.

This means that more consideration needs to be given to the role of the consultancy service and time scales and to promoting the availability of the services. Initially there should be compulsory usage of the consultancy services in identifying areas of need and in procedures for meeting the needs. If both parties agree that the consultancy service is not required, then, the Department will be formally advised by the co-operative and the service provider. Supporting evidence for such agreement will be required.

3.8 Monitoring

Monitoring of co-operatives tends to be ad hoc and reactive - responding to a crisis usually when it is too late. Appropriate monitoring is critical not only to ensure accountability but also to assist the developmental process. Inadequate monitoring is the direct result of inadequate staff levels and the intensive and extensive workload of the program. An improved monitoring capability would assist the capacity of the program to respond to the needs of funded co-operatives and enable a shift from reactive to preventative responses.

4. LESSONS

The progressive lessons of the Program could be summarised as follows:

- 4.1 The Co-operation Act 1981 and the existing model rules are a major obstacle to the development of worker co-operatives and industrial democracy in all forms of co-operative.

The legislation and rules have been designed for consumer and producer co-operatives and do not recognise the specific legislative requirements and organisational characteristics of worker co-operatives and the participatory mechanisms being developed by new housing, food and sustainable community co-operatives. The legislation and rules are based on a non-worker member democracy and not to enhance industrial democracy. This has made it difficult for co-operatives to incorporate democratic workplace practices within their rules and inhibited its practice. It has made it difficult to require worker co-operatives to adopt rules common to worker co-operatives in N.S.W. and overseas but not required under Victoria's existing legislation and rules.

- 4.2 There is no long history of successful and surviving worker co-operatives in Australia.

With the absence of long-term surviving worker co-operatives, start-up and conversion worker co-operatives do not have a model for their own organisational development. Instead, the available models are inappropriate-employee-owned companies, consumer and producer co-operatives.

Worker co-operatives have had to create their own experiences rather than build on past experiences. While there is a long history of worker co-operatives in Italy and France, this experience is illustrative rather than emulative.

- 4.3 There is a limited understanding and thus acceptance of co-operative philosophy and principles by those within and outside the co-operative movement.

This vacuum inhibits the development of co-operatives with coherent philosophies and principles. Co-operative education is either at an early developmental stage or inappropriately based on producer/consumer co-operatives. There is a limited amount of Australian co-operative literature. Together these factors mean that there is a need to further develop the co-operative education and training system and a body of co-operative knowledge and information.

- 4.4 The essence of co-operative philosophy is democracy, mutuality and autonomy.

Co-operative development cannot be imposed from above and must depend on the co-operative movement itself and the Government encouraging the development of this capacity. This will not occur, however, until the separate co-operative sectors are able to control and determine their own development. Despite this, sponsors of co-operatives persist in establishing and developing co-operatives for the unemployed.

- 4.5 Diversity characterises the co-operative sectors within the co-operative movement. The sectors diverge markedly in their interpretation and application of co-operative philosophy and principles.

The substance of the differences are not necessarily accepted, however, and the process of delineating the differences and incorporating the consequences into co-operative development policies and programs has necessarily been slow.

- 4.6 Trade union membership and support is critical in the development of worker co-operatives.

Trade unions could provide industrial and industry experience and knowledge and discourage tendencies towards self-exploitation. In the particular case of conversion co-operatives, trade unions could

- (a) prevent the previous continuing management from continuing its previous pattern of autocratic control;
- (b) provide education and training advice and support;
- (c) provide a unique industry knowledge and support; and
- (d) provide guidance on the implementation of occupational health and safety practices.

- 4.7 The development of enterprise plans provides the basis for achieving economic viability.

While the Enterprise Plan does not guarantee success, it is a democratic process for determining the objectives and structure of the business and provides the basis for identifying viability and details the strategy for achieving break-even.

The Plan provides a basis for analysing development problems.

This context has conditioned efforts to establish and develop economically viable co-operative business enterprises. It has complicated the resourcing of co-operatives and intensified their developmental requirements. The Department's work with co-operatives has of necessity therefore, involved the development of co-operative education, the promotion of co-operation, the establishment of co-operative support services and the development of food and worker co-operatives models.

Committed to programmatic equity it has been necessary to respond to geographically dispersed groups throughout Victoria including the LaTrobe Valley, Mildura and Portland and to groups whose native language is not English including Arabic, Turkish and Spanish.

5. PRINCIPLES

In undertaking these activities, the CDP has adopted the following principles of co-operative development:

1. Co-operative development must reflect and reinforce co-operative philosophy and principles.
2. Co-operative development strategies must take into account the differences in objectives, structures and practices between co-operative sectors.
3. Co-operative education and training is a prerequisite to the development of co-operation and co-operators.

4. The understanding of co-operative principles and practices underpins and determines the nature and possibility of co-operative development.

These principles govern the development of co-operatives in Italy and France - the two countries in which the worker co-operative movement in particular is the most developed.

Similarly, the Italian and French experience has demonstrated the compatibility of integrating trade union involvement in the development of worker co-operatives in particular.

6. STRATEGIES

Consistent with these principles, the following strategies have been adopted:

- 6.1 Autonomisation of co-operative development.
- 6.2 Co-operatisation of education and training.
- 6.3 Democratisation of co-operative legislation and rules.
- 6.1 Co-operative Development While continued State support for co-operatives will be necessary, their development ultimately depends on the co-operative sectors being willing and able to take more developmental responsibility for their own sectors. The strategy, therefore, is aimed at autonomous co-operative development.

Current Situation A feasibility study has been commissioned by the Government to set up a Worker Co-operative Association. This Association would then operate a resource centre for worker co-operatives. A pre-Worker Co-operative Association already exists through M.A.C.C.'s Worker Co-operative Working Party. The Department convenes the Working Party and has funded a research officer to work with the Party. The continued financing of The Co-operator magazine is critical in facilitating the development of a common co-operative knowledge and consciousness - particularly for worker and food co-operatives. Co-operative support services are being developed at Ballarat C.A.E., Preston College of T.A.F.E. and R.M.I.T.

Trade unions should be involved in the development of worker co-operatives. In pursuit of this, discussions have been held with the Victorian Trades Hall Council, Trade Union Training Authority and individual union officers. A Trade Union Liaison Committee (TULC) has been established by the Ministerial Advisory Committee on Co-operation. The TULC will specifically include in its deliberations the labour movement and trade union relationships with co-operatives.

Next 12 Months: Establishment of a Worker Co-operative Association which will be directly represented on M.A.C.C. and a DEIA Worker Co-operative Education Committee. The Association will also assume responsibility for The Co-operator. M.A.C.C.'s Trade Union Liaison Committee will be responsible for a study of workers and working conditions in all Victorian co-operatives.

Three conversion co-operatives will be developed. Three disadvantaged worker co-operatives will be established in conjunction with the Affirmative Employment Program.

Beyond 12 months: The Worker Co-operative Association will progressively assume co-operative development responsibilities.

- 6.2 Co-operative Education Co-operative education and training in Australia is under-developed. It is necessary, therefore, to establish a delivery structure for co-operative education and training and provide resources until the co-operative sectors are able to undertake these responsibilities and to equally focus on the co-operative education needs of trade unions.

Current Situation: In conjunction with Preston College of TAFE the Department has been developing three co-operative education courses. The Department has published five co-operative leaflets, commissioned eight case studies and developed further leaflets - affirmative employment and co-operatives, trade unions and co-operatives, occupational health and safety and co-operatives, and industrial issues and trade unions. These new leaflets are focussed on issues of common concern to trade unions and co-operatives. TUTA has also agreed to organise a three day workshop on trade unions, industrial issues, industrial democracy and co-operatives. The Department funded the M.A.C.C. co-operative education and training study, Education for Democracy. This study has reinforced the Department's approach to co-operative development through sector associations.

The Department has also commissioned a worker co-operative bookkeeping kit and a conversion co-operative workshop program. CDP pamphlets and course material are being translated into ethnic languages. Course material has already been translated into Arabic, Spanish and Turkish.

The Next 12 Months: The eight case studies and three trade union oriented leaflets will be published. The TUTA workshop will be organised. The Worker Co-operative Association will establish an Education Committee to advise the Department and M.A.C.C. on education and training needs. A Co-operative Management Unit will be developed by the Department and Preston and R.M.I.T. TAFE Colleges for the TAFE Certificate of Management Course. Eighteen conversion co-operative workshops will be organised by the Department in conjunction with R.M.I.T. and Preston TAFE Colleges. The Worker Co-operative Bookkeeping kit will be published in English. Translation of CDP information and course material into non-English languages will continue.

Beyond 12 Months: Worker Co-operative Association will progressively assume more responsibility for co-operative education and training. Worker Co-operative courses will be packaged for usage at other TAFE Colleges. The Co-operative Management Unit will be introduced as an elective to the TAFE Certificate of Management. The Worker Co-operative Bookkeeping kit will be published in non-English languages.

6.3 Co-operative Legislation

Legislation and rules critically influence the nature of co-operative philosophy and development in practice.

Current Situation: DEIA is working with the MACC to change the legislation and rules. M.A.C.C. has been commissioned by the Minister for Housing, the Hon. I. Cathie, to consider possible and desirable changes to the Co-operation Act. Draft model rules for worker co-operatives have already been prepared through M.A.C.C.'s Worker Co-operative Working Party. These model rules recognise the different nature of worker co-operatives but require further development.

The Next 12 Months: Model rules for worker co-operatives will be finalised.

A new Co-operation Act will be adopted.

Beyond 12 Months: Co-operatives currently registered under the Co-operation Act 1981 will be given a period of grace to either continue registration under the Co-operation Act or the Companies or Associations Acts.

CONCLUSION

The Co-operative Development Program is at a complex developmental stage. The program's activities are necessarily extensive and intensive. In attempting to establish and develop democratic and economically viable co-operatives the program is forced to address a complicated and complicating mosaic of conceptual, organisational, historical, political and social factors.